



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

**Mesa View
Homeowners Association No. 2
Reviewed Financial Statements
Year Ended June 30, 2021**

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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, 2021, 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, 2020 financial statements and in our conclusion dated February 3, 2021, 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.



September 21, 2021

Sonnenberg & Company, CPAs

Mesa View Homeowners Association No. 2

Balance Sheet

June 30, 2021

(With Comparative Totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS:				
Cash in Checking	\$ 9,720	\$	\$ 9,720	\$ 39,817
Cash in Savings		111,317	111,317	90,306
Gift Cards			-	100
Assessments Receivable	5,224		5,224	7,022
Allowance for Uncollectible	(1,195)		(1,195)	(528)
Insurance Refund Receivable			-	857
Prepaid Insurance	2,896		2,896	1,680
Inter-fund Receivable (Payable)	(10,000)	10,000	-	-
TOTAL ASSETS	\$ 6,645	\$ 121,317	\$ 127,962	\$ 139,254
LIABILITIES:				
Accounts Payable	\$ 4,820	\$	\$ 4,820	\$ 8,495
Prepaid Assessments	2,092		2,092	38,525
Accrued Payroll Wages	2,141		2,141	1,707
Accrued Payroll Taxes	215		215	412
TOTAL LIABILITIES	9,268	-	9,268	49,139
FUND BALANCES:	(2,623)	121,317	118,694	90,115
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,645	\$ 121,317	\$ 127,962	\$ 139,254

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, 2021
(With Comparative Totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES:				
Regular Assessments	\$ 79,880	\$ 31,000	\$ 110,880	\$ 108,240
Late & Miscellaneous	9,109		9,109	6,859
Interest	2	11	13	92
TOTAL REVENUES	88,991	31,011	120,002	115,191
EXPENSES:				
Administrative-				
Accountants Review & Tax Preparation	1,250		1,250	1,150
Bad Debts	882		882	528
Insurance	9,012		9,012	9,792
Legal & Collection	3,415		3,415	1,698
Management/Bookkeeping	9,202		9,202	10,353
Other Administration	3,270		3,270	3,102
Replacement Study	375		375	350
Taxes - Income	10		10	65
Total Administrative	27,416	-	27,416	27,038
Maintenance-				
Common Area	747		747	3,621
Janitorial	648		648	49
Landscape	8,318		8,318	7,406
Painting		2,873	2,873	-
Pest Control	253		253	243
Pool and Spa	10,054		10,054	64,343
Pool Monitors Payroll & Related	17,505		17,505	15,654
Security	948		948	779
Total Maintenance	38,473	2,873	41,346	92,095
Utilities-				
Gas & Electricity	9,956		9,956	8,111
Telephone	1,466		1,466	1,402
Water & Sewer	11,239		11,239	13,648
Total Utilities	22,661	-	22,661	23,161
TOTAL EXPENSES	88,550	2,873	91,423	142,294
Excess Revenue / (Expense)	\$ 441	\$ 28,138	\$ 28,579	\$ (27,103)
Beginning Fund Balances	(191)	90,306	90,115	117,218
Interfund Transfers	(2,873)	2,873	-	-
Ending Fund Balances	\$ (2,623)	\$ 121,317	\$ 118,694	\$ 90,115

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, 2021

(With Comparative Totals for 2020)

Cash Flows From -	2021			2020
	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue / (Expense)	\$ 441	\$ 28,138	\$ 28,579	\$ (27,103)
(Increase) / Decrease in:				
Assessments Receivable	1,798		1,798	(219)
Allowance for Uncollectible	667		667	528
Gift Cards	100		100	(100)
Insurance Refund Receivable	857		857	(857)
Prepaid Insurance	(1,216)		(1,216)	766
Increase / (Decrease) in:				
Accounts Payable	(3,675)		(3,675)	4,152
Prepaid Assessments	(36,433)		(36,433)	989
Accrued Payroll Wages	434		434	(1,664)
Accrued Payroll Taxes	(197)		(197)	(92)
Net Operating Activities	<u>(37,224)</u>	<u>28,138</u>	<u>(9,086)</u>	<u>(23,600)</u>
Financing Activities:				
Net Interfund Receivables	10,000	(10,000)	-	-
Net Interfund Transfers	(2,873)	2,873	-	-
Net Financing Activities	<u>7,127</u>	<u>(7,127)</u>	<u>-</u>	<u>-</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	(30,097)	21,011	(9,086)	(23,600)
Cash and Cash Equivalents at:				
Beginning of Year	<u>39,817</u>	<u>90,306</u>	<u>130,123</u>	<u>153,723</u>
End of Year	<u>\$ 9,720</u>	<u>\$ 111,317</u>	<u>\$ 121,037</u>	<u>\$ 130,123</u>
Supplemental Disclosure:				
Income taxes paid	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 65</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, 2021

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, 2021.

Mesa View Homeowners Association No. 2
Notes to Financial Statements
Year Ended June 30, 2021

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 \$126 per lot per month per six months for the year ended June 30, 2021. 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 \$111,317 at June 30, 2021, 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 64.5% funded.

The Association's budgeted replacement funding for the year ended June 30, 2021 was \$31,000. The Association transferred \$21,000 to the replacement savings account but did not transfer \$10,000 of budgeted replacement funding. The Board of Directors intends to repay that amount and therefore, the financial statements reflect \$10,000 as an inter-fund receivable and payable due to the replacement fund from the operating fund.

Replacement fund disbursements totaling \$2,873 were made during the year for painting repairs. The Association used \$2,873 from the operating fund to pay for replacement fund expenditures during the year. The Board of Directors has not documented plans to repay that amount and therefore, \$2,873 is reflected as a transfer to the replacement fund from the operating fund.

Mesa View Homeowners Association No. 2
Notes to Financial Statements
Year Ended June 30, 2021

Note 6. 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 7. Subsequent Events:

The Association has evaluated subsequent events through September 21, 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, 2021

(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 April 9, 2021 and projected to June 30, 2021.

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	12 - 12	\$ 5,313	\$ 152	\$ 3,491	\$ 2,252
Painting	1 - 20	13,950	2,150	8,091	5,218
Fence/Gates	1 - 8	45,869	2,249	34,714	22,386
Paved Surfaces	1 - 1	55,000	3,500	51,500	33,211
Pools	1 - 29	106,341	6,943	24,945	16,086
Shade Structures	17 - 22	58,800	2,423	7,268	4,687
Landscaping/Irrigation	1 - 5	36,975	3,763	22,546	14,539
Lighting/Electrical	6 - 17	8,080	464	4,000	2,579
Miscellaneous	1 - 22	35,000	1,365	22,605	14,577
Contingency (5%)		18,266	1,150	8,958	5,777
Totals		<u>\$ 383,594</u>	<u>\$ 24,158</u>	<u>\$ 188,118</u>	<u>\$ 121,312</u>
Percent Funded					<u>64.5%</u>
As of June 30, 2021					
The annual budgeted allocation to replacements			<u>\$ 31,000</u>		
The cash balance in replacement funds					<u>\$ 111,317</u>

See Independent Accountant's Review Report