



# 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, 2022**

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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, 2022, 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 the Association's financial data and making inquiries of the Association's management and/or the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); 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. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Mesa View Homeowners Association No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### 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. GAAP.

**Prior Year Financial Statements**

We previously reviewed Mesa View Homeowners Association No. 2's June 30, 2021 financial statements and in our conclusion dated September 21, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the June 30, 2021 financial statements in order for them to be in accordance with U.S. GAAP. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.

**Required Supplementary Information**

U.S. GAAP 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. 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. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.



October 24, 2022

Sonnenberg & Company, CPAs

**Mesa View Homeowners Association No. 2**  
 Balance Sheet  
 June 30, 2022  
 (With Comparative Totals for 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>ASSETS:</b>				
Cash in Checking	\$ 8,643	\$	\$ 8,643	\$ 9,720
Cash in Savings		76,885	76,885	111,317
Assessments Receivable	3,657		3,657	5,224
Allowance for Uncollectible	(1,073)		(1,073)	(1,195)
Prepaid Insurance	2,406		2,406	2,896
Inter-fund Receivable (Payable)	2,233	(2,233)	-	-
<b>TOTAL ASSETS</b>	<u>\$ 15,866</u>	<u>\$ 74,652</u>	<u>\$ 90,518</u>	<u>\$ 127,962</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 6,221	\$	\$ 6,221	\$ 4,820
Prepaid Assessments	4,456		4,456	2,092
Accrued Payroll Wages	2,583		2,583	2,141
Accrued Payroll Taxes	613		613	215
<b>TOTAL LIABILITIES</b>	13,873	-	13,873	9,268
<b>FUND BALANCES:</b>	<u>1,993</u>	<u>74,652</u>	<u>76,645</u>	<u>118,694</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 15,866</u>	<u>\$ 74,652</u>	<u>\$ 90,518</u>	<u>\$ 127,962</u>

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

**Mesa View Homeowners Association No. 2**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**  
**(With Comparative Totals for 2021)**

	2022			2021
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES:</b>				
Regular Assessments	\$ 94,400	\$ 20,000	\$ 114,400	\$ 110,880
Other Income	6,701		6,701	9,109
Bad Debt Recovery	122		122	-
Interest	2	10	12	13
<b>TOTAL REVENUES</b>	<b>101,225</b>	<b>20,010</b>	<b>121,235</b>	<b>120,002</b>
<b>EXPENSES:</b>				
<b>Administrative-</b>				
Accountants Review & Tax Preparation	1,250		1,250	1,250
Bad Debts			-	882
Insurance	8,808		8,808	9,012
Legal & Collection	1,591		1,591	3,415
Management/Bookkeeping	9,436		9,436	9,202
Other Administration	6,291		6,291	3,270
Replacement Study	750		750	375
Taxes - Income			-	10
<b>Total Administrative</b>	<b>28,126</b>	<b>-</b>	<b>28,126</b>	<b>27,416</b>
<b>Maintenance-</b>				
Common Area	1,753		1,753	747
Janitorial	32		32	648
Key Card System		2,233	2,233	-
Landscape	16,165		16,165	8,318
Painting			-	2,873
Pest Control	263		263	253
Pool and Spa	12,323	45,146	57,469	10,054
Pool Monitors Payroll & Related	20,991		20,991	17,505
Security	1,099	9,296	10,395	948
<b>Total Maintenance</b>	<b>52,626</b>	<b>56,675</b>	<b>109,301</b>	<b>41,346</b>
<b>Utilities-</b>				
Gas & Electricity	12,144		12,144	9,956
Telephone	1,544		1,544	1,466
Water & Sewer	12,169		12,169	11,239
<b>Total Utilities</b>	<b>25,857</b>	<b>-</b>	<b>25,857</b>	<b>22,661</b>
<b>TOTAL EXPENSES</b>	<b>106,609</b>	<b>56,675</b>	<b>163,284</b>	<b>91,423</b>
Excess Revenue / (Expense)	\$ (5,384)	\$ (36,665)	\$ (42,049)	\$ 28,579
Beginning Fund Balances	(2,623)	121,317	118,694	90,115
Interfund Transfers	10,000	(10,000)	-	-
<b>Ending Fund Balances</b>	<b>\$ 1,993</b>	<b>\$ 74,652</b>	<b>\$ 76,645</b>	<b>\$ 118,694</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, 2022  
(With Comparative Totals for 2021)

	2022			2021
Cash Flows From -	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue / (Expense)	\$ (5,384)	\$ (36,665)	\$ (42,049)	\$ 28,579
(Increase) / Decrease in:				
Assessments Receivable	1,567		1,567	1,798
Allowance for Uncollectible	(122)		(122)	667
Gift Cards			-	100
Insurance Refund Receivable			-	857
Prepaid Insurance	490		490	(1,216)
Increase / (Decrease) in:				
Accounts Payable	1,401		1,401	(3,675)
Prepaid Assessments	2,364		2,364	(36,433)
Accrued Payroll Wages	442		442	434
Accrued Payroll Taxes	398		398	(197)
Net Operating Activities	1,156	(36,665)	(35,509)	(9,086)
Financing Activities:				
Net Interfund Receivables	(12,233)	12,233	-	-
Net Interfund Transfers	10,000	(10,000)	-	-
Net Financing Activities	(2,233)	2,233	-	-
Net Increase / (Decrease) in				
Cash and Cash Equivalents	(1,077)	(34,432)	(35,509)	(9,086)
Cash and Cash Equivalents at:				
Beginning of Year	9,720	111,317	121,037	130,123
End of Year	\$ 8,643	\$ 76,885	\$ 85,528	\$ 121,037
Supplemental Disclosure:				
Income taxes paid	\$ -	\$ -	\$ -	\$ 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, 2022

**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 accounting principles generally accepted in the United States of America (U.S. GAAP). The Association records operating and replacement fund assessments as revenue when due from members and expenses when incurred.

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606 (Topic) *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The Association does not believe the attributes of the Topic fit with the nature, definitions, and practices of such revenues of the Association. The Association's revenues are dues assessments from members not "customers" and there is no contract with the members regarding such revenues.

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 U.S. GAAP 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 U.S. GAAP 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 U.S. GAAP. Some items may have been reclassified for purposes of overall comparability and consistency of presentation.

**Mesa View Homeowners Association No. 2**  
Notes to Financial Statements  
Year Ended June 30, 2022

**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. The Association incurred no taxes for the year ended June 30, 2022.

**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 \$130 per lot per six months for the year ended June 30, 2022. 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 \$76,885 at June 30, 2022, 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 62.5% funded.

The Association's budgeted replacement funding for the year ended June 30, 2022 was \$20,000. The Association transferred \$10,000 to the replacement savings account but did not transfer \$10,000 of budgeted replacement funding. The Board of Directors has not documented plans to repay that amount and therefore, \$10,000 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, 2022

**Note 5. Future Major Repairs and Replacements (Continued):**

Replacement fund disbursements totaling \$56,675 were made during the year for security cameras, key card readers, and major pool repairs. The Association used \$2,233 from the operating fund to pay for replacement fund expenditures during the year. The Board of Directors intends to repay that amount and therefore, the financial statements reflect \$2,233 as an inter-fund receivable and payable due to the operating fund from the replacement fund.

State law requires that any amounts borrowed from replacement funds be documented in the minutes and returned within one year unless it can demonstrate that a delay in restoring such funds would be in the best interest of the Association.

**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. Date of Management Review:**

The Association has evaluated subsequent events through October 24, 2022, 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, 2022**

(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 8, 2022 for the year ended June 30, 2022.

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	11 - 11	\$ 5,520	\$ 158	\$ 3,785	\$ 2,364
Painting	1 - 19	15,461	2,317	8,424	5,261
Fence/Gates	6 - 20	58,750	3,176	23,814	14,873
Paved Surfaces	3 - 15	50,000	3,714	2,857	1,784
Pools	2 - 28	108,643	7,224	27,827	17,380
Shade Structures	16 - 21	59,650	2,458	9,830	6,139
Landscaping/Irrigation	2 - 4	38,000	3,828	26,489	16,544
Lighting/Electrical	1 - 16	7,560	438	5,052	3,155
Miscellaneous	1 - 21	36,500	1,421	24,628	15,382
Contingency (5%)		<u>19,004</u>	<u>1,237</u>	<u>6,635</u>	<u>4,144</u>
Totals		<u>\$ 399,088</u>	<u>\$ 25,970</u>	<u>\$ 139,342</u>	<u>\$ 87,027</u>
Percent Funded					<u>62.5%</u>
As of June 30, 2022					
The annual budgeted allocation to replacements			<u>\$ 20,000</u>		
The cash balance in replacement funds					<u>\$ 76,885</u>

See Independent Accountant's Review Report