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Leonard C. Sonnenberg, CPA

**Mesa View
Homeowners Association No. 2
Reviewed Financial Statements
Year Ended June 30, 2023**

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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, 2023, 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, 2022 financial statements and in our conclusion dated October 24, 2022, stated that based on our review, we were not aware of any material modifications that should be made to the June 30, 2022 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, 2022, 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.



September 19, 2023

Sonnenberg & Company, CPAs

Mesa View Homeowners Association No. 2
Balance Sheet
June 30, 2023
(With Comparative Totals for 2022)

| | 2023 | | | 2022 |
|--|-------------------|---------------------|-------------------|------------------|
| | Operating Fund | Replacement Fund | Total Funds | Total Funds |
| ASSETS: | | | | |
| Cash in Checking | \$ 26,767 | \$ | \$ 26,767 | \$ 8,643 |
| Cash in Savings | | 88,352 | 88,352 | 76,885 |
| Assessments Receivable | 7,376 | | 7,376 | 3,657 |
| Allowance for Uncollectible | (2,200) | | (2,200) | (1,073) |
| Prepaid Insurance | 1,571 | | 1,571 | 2,406 |
| TOTAL ASSETS | \$ 33,514 | \$ 88,352 | \$ 121,866 | \$ 90,518 |
| LIABILITIES: | | | | |
| Accounts Payable | \$ 10,508 | \$ | \$ 10,508 | \$ 6,221 |
| Prepaid Assessments | 5,578 | | 5,578 | 4,456 |
| Accrued Payroll Wages | 2,728 | | 2,728 | 2,583 |
| Accrued Payroll Taxes | 650 | | 650 | 613 |
| TOTAL LIABILITIES | 19,464 | - | 19,464 | 13,873 |
| FUND BALANCES: | 14,050 | 88,352 | 102,402 | 76,645 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 33,514 | \$ 88,352 | \$ 121,866 | \$ 90,518 |

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, 2023
(With Comparative Totals for 2022)

| | 2023 | | | 2022 |
|--------------------------------------|-------------------|---------------------|-------------------|------------------|
| | Operating Fund | Replacement Fund | Total Funds | Total Funds |
| REVENUES: | | | | |
| Regular Assessments | \$ 118,280 | \$ 19,000 | \$ 137,280 | \$ 114,400 |
| Other Income | 8,375 | | 8,375 | 6,701 |
| Bad Debt Recovery | - | | - | 122 |
| Interest | 13 | 130 | 143 | 12 |
| TOTAL REVENUES | 126,668 | 19,130 | 145,798 | 121,235 |
| EXPENSES: | | | | |
| Administrative- | | | | |
| Accountants Review & Tax Preparation | 1,625 | | 1,625 | 1,250 |
| Bad Debts | 1,127 | | 1,127 | - |
| Insurance | 9,530 | | 9,530 | 8,808 |
| Legal & Collection | 4,020 | | 4,020 | 1,591 |
| Management/Bookkeeping | 9,418 | | 9,418 | 9,436 |
| Other Administration | 4,774 | | 4,774 | 6,291 |
| Replacement Study | - | | - | 750 |
| Total Administrative | 30,494 | - | 30,494 | 28,126 |
| Maintenance- | | | | |
| Common Area | 4,644 | | 4,644 | 1,753 |
| Janitorial | 256 | | 256 | 32 |
| Key Card System | | 5,211 | 5,211 | 2,233 |
| Landscape | 18,636 | | 18,636 | 16,165 |
| Pest Control | 274 | | 274 | 263 |
| Pool and Spa | 14,492 | - | 14,492 | 57,469 |
| Pool Monitors Payroll & Related | 19,943 | | 19,943 | 20,991 |
| Security | 1,206 | - | 1,206 | 1,099 |
| Total Maintenance | 59,451 | 5,211 | 64,662 | 109,301 |
| Utilities- | | | | |
| Gas & Electricity | 12,419 | | 12,419 | 12,144 |
| Telephone | 1,770 | | 1,770 | 1,544 |
| Water & Sewer | 10,696 | | 10,696 | 12,169 |
| Total Utilities | 24,885 | - | 24,885 | 25,857 |
| TOTAL EXPENSES | 114,830 | 5,211 | 120,041 | 163,284 |
| Excess Revenue / (Expense) | \$ 11,838 | \$ 13,919 | \$ 25,757 | \$ (42,049) |
| Beginning Fund Balances | 1,993 | 74,652 | 76,645 | 118,694 |
| Interfund Transfers | 219 | (219) | - | - |
| Ending Fund Balances | \$ 14,050 | \$ 88,352 | \$ 102,402 | \$ 76,645 |

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, 2023
(With Comparative Totals for 2022)

| | 2023 | | | 2022 |
|---|-------------------|---------------------|----------------|----------------|
| Cash Flows From - | Operating Fund | Replacement Fund | Total Funds | Total Funds |
| Operating Activities: | | | | |
| Excess Revenue / (Expense) | \$ 11,838 | \$ 13,919 | \$ 25,757 | \$ (42,049) |
| (Increase) / Decrease in: | | | | |
| Assessments Receivable | (3,719) | | (3,719) | 1,567 |
| Allowance for Uncollectible | 1,127 | | 1,127 | (122) |
| Prepaid Insurance | 835 | | 835 | 490 |
| Increase / (Decrease) in: | | | | |
| Accounts Payable | 4,287 | | 4,287 | 1,401 |
| Prepaid Assessments | 1,122 | | 1,122 | 2,364 |
| Accrued Payroll Wages | 145 | | 145 | 442 |
| Accrued Payroll Taxes | 37 | | 37 | 398 |
| Net Operating Activities | 15,672 | 13,919 | 29,591 | (35,509) |
| Financing Activities: | | | | |
| Net Interfund Receivables | 2,233 | (2,233) | - | - |
| Net Interfund Transfers | 219 | (219) | - | - |
| Net Financing Activities | 2,452 | (2,452) | - | - |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 18,124 | 11,467 | 29,591 | (35,509) |
| Cash and Cash Equivalents at: | | | | |
| Beginning of Year | 8,643 | 76,885 | 85,528 | 121,037 |
| End of Year | \$ 26,767 | \$ 88,352 | \$ 115,119 | \$ 85,528 |

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, 2023

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, 2023

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, 2023.

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 \$156 per lot per six month periods during the year ended June 30, 2023. 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 \$88,352 as of June 30, 2023, 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, 2023 was \$19,000. The Association transferred \$19,000 to the replacement savings account. The net amount of \$219 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, 2023

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

Replacement fund disbursements totaling \$5,211 were made during the year for security key card readers.

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. Date of Management Review:

The Association has evaluated subsequent events through September 19, 2023, 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, 2023

(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%) | | 19,004 | 1,237 | 6,635 | 4,144 |
| 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, 2023 | | | | | |
| The annual budgeted allocation to replacements | | | <u>\$ 19,000</u> | | |
| The cash balance in replacement funds | | | | | <u>\$ 88,352</u> |

See Independent Accountant's Review Report