



Date: **January 2025**

To: All Owners
Edgewood Homeowners Association

From: The Management Trust
RE: Annual Financial Statement

Attached is the Financial Statement for your association for the year ending **May 31, 2024** as prepared by the association's CPA.

These documents are being provided to all owners of the association consistent with Civil Code.

EDGEWOOD HOMEOWNERS ASSOCIATION

(a California nonprofit mutual benefit corporation)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Year Ended May 31, 2024



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Paula E. Hegner

CERTIFIED PUBLIC ACCOUNTANT

2044 Tarbolton Circle, Folsom, CA 95630
Office (916) 983-6396 Fax (916) 983-2558
e-mail: pehegner@comcast.net

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Edgewood Homeowners Association

I have reviewed the accompanying financial statements of Edgewood Homeowners Association, which comprise the balance sheet as of May 31, 2024, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. 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, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management 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; 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

My responsibility is to conduct the review engagement 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Edgewood Homeowners Association and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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. The information is the responsibility of management. I have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Paula E. Hegner

August 9, 2024

EDGEWOOD HOMEOWNERS ASSOCIATION
BALANCE SHEET
May 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash, including interest bearing deposits	\$ 62,053	\$ 182,585	\$ 244,638
Assessments receivable, net	5,951	-	5,951
Due (to) from other fund	<u>(29,495)</u>	<u>29,495</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 38,509</u>	<u>\$ 212,080</u>	<u>\$ 250,589</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 17,316	\$ 300	\$ 17,616
Assessments received in advance-operating fund	21,452	-	21,452
Deposits	500	-	500
Contract liabilities-(assessments received in advance-replacement fund)	<u>-</u>	<u>211,780</u>	<u>211,780</u>
TOTAL LIABILITIES	39,268	212,080	251,348
FUND BALANCES	<u>(759)</u>	<u>-</u>	<u>(759)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,509</u>	<u>\$ 212,080</u>	<u>\$ 250,589</u>

See accompanying notes and independent accountant's review report.

EDGEWOOD HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended May 31, 2024

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments	\$ 244,787	\$ 232,573	\$ 477,360
Interest income	12	289	301
Contract liability transfer	-	(167,449)	(167,449)
RV parking income	5,880	-	5,880
Late fees and other income	2,285	-	2,285
	<u>252,964</u>	<u>65,413</u>	<u>318,377</u>
TOTAL REVENUES			
EXPENSES			
Insurance	74,347	-	74,347
Legal and professional	2,477	-	2,477
Administration	2,509	-	2,509
Reserve study	400	-	400
Management fees	26,585	-	26,585
Landscaping	90,205	-	90,205
General repairs and maintenance	23,380	-	23,380
Camera surveillance	775	-	775
Pool and spa	7,910	-	7,910
Utilities	39,783	-	39,783
Major repairs and replacements	-	65,413	65,413
	<u>268,371</u>	<u>65,413</u>	<u>333,784</u>
TOTAL EXPENSES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(15,407)	-	(15,407)
BEGINNING FUND BALANCES	<u>14,648</u>	<u>-</u>	<u>14,648</u>
ENDING FUND BALANCES	<u>\$ (759)</u>	<u>\$ -</u>	<u>\$ (759)</u>

See accompanying notes and independent accountant's review report.

EDGEWOOD HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended May 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (15,407)	\$ -	\$ (15,407)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities			
(Increase) decrease in:			
Assessments receivable	(3,925)	-	(3,925)
Prepaid insurance	1,575	-	1,575
Due (to) from other fund	29,495	(29,495)	
Increase (decrease) in:			
Accounts payable	(10,431)	300	(10,131)
Assessments received in advance-operating fund	2,242	-	2,242
Contract liabilities-(assessments received in advance-replacement fund)	-	167,449	167,449
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,549</u>	<u>138,254</u>	<u>141,803</u>
NET INCREASE IN CASH	3,549	138,254	141,803
CASH AT BEGINNING OF YEAR	<u>58,504</u>	<u>44,331</u>	<u>102,835</u>
CASH AT END OF YEAR	<u>\$ 62,053</u>	<u>\$ 182,585</u>	<u>\$ 244,638</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	<u>\$ -</u>		

See accompanying notes and independent accountant's review report.

EDGEWOOD HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
May 31, 2024

NOTE A - NATURE OF ORGANIZATION

Edgewood Homeowners Association (the Association) was incorporated on June 7, 1973 in the State of California. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 108 residential units located in Citrus Heights, California.

The Association derives its authority and responsibilities from its Declaration of Covenants, Conditions and Restrictions. An elected Board of Directors makes most policy decisions and oversees daily operations, but major decisions are referred to the general Association membership.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 9, 2024, the date that the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the year ended May 31, 2024, the Association elected to be taxed as a homeowners association and filed Form 1120-H. Under this election, the Association is taxed on its nonexempt function income, such as interest earnings at a rate of 30% by the federal government and a rate of 8.84% by the State of California. Exempt function income, which consists primarily of member assessments, is not taxable. The Associations' tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and for a period of four years by California taxing authorities.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating fund assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members. It is the opinion of the Association's Board that, in the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association, subject to a reasonable allowance for uncollectible assessments, if any, will ultimately prevail in most instances. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Contract Liabilities (assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property have not been capitalized on the Association's financial statements. The Association capitalizes personal property and equipment to which it has title or other evidence of ownership at cost and depreciates it using the straight-line method.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

Cash and Cash Equivalents

The Association considers all short term investments with an original maturity of three months or less to be cash equivalents. The Association maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 per depositor.

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. An independent study was conducted by The Browning Reserve Group for the 2024/2025 fiscal year, to estimate the remaining useful lives and the replacement costs of the common property components. At the time the study was conducted, the assumed long-term interest rate earned on reserve funds was 1.5% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% per year. The estimates were obtained from licensed contractors who inspected the property.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, 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 additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

EDGEWOOD HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 May 31, 2024

The Board of Directors of Edgewood Homeowners Association contracted with The Browning Reserve Group, to prepare a Replacement Reserve Study for the 2024/2025 fiscal year, to estimate the remaining useful lives and the replacement cost of the components of common property. The estimates were based on visual inspection of the components and estimated replacement costs were based on their own construction cost estimator and on the opinion of independent contractors where they felt it necessary for outside consultation.

The following table is based on the study and presents significant information about the components of common property.

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2023/2024 Fully Funded Balance	2024/2025 Fully Funded Balance	2024/2025 Line Item Contribution based on Cash Flow Method
Paving	442,563	5-25	2-8	382,153	414,316	31,583
Concrete	88,302	5-30	2-14	47,399	52,380	6,245
Painting: Exterior	301,735	1-5	0-4	70,490	119,784	81,547
Structural Repairs	977,494	30-40	2-39	252,481	284,582	9,513
Roofing	1,198,607	1-25	0-23	733,937	800,737	78,174
Rehab	13,504	8-15	2-6	8,137	9,760	1,943
Pool	52,558	5-20	2-9	38,380	43,887	6,128
Tennis Court	28,620	7-21	1-8	19,443	22,034	2,932
Landscaping	25,189	1-20	0-17	13,280	13,277	3,931
Fencing	46,067	1-30	0-9	21,239	26,865	7,919
Lighting	8,292	5-5	2-2	4,975	6,799	2,219
Signage	6,784	15-15	2-2	5,879	6,490	605
Mechanical Equipment	10,015	12-20	2-2	8,904	9,696	743
Furnishings	8,104	20-20	2-2	7,293	7,891	542
Safety / Access	18,984	6-6	5-5	3,164	6,486	4,560
Flooring	7,799	20-20	1-1	7,410	7,994	509
Appliances	3,054	15-15	2-6	2,269	2,534	286
Reserve study	1,696	3-3	2-2	565	1,159	757
Undesignated	1,749	1-1	1-1	875	1,793	1,142
Total	\$ 3,241,116			\$ 1,628,273	\$ 1,838,464	\$ 241,278
Estimated Ending Balance				\$ 228,053	\$ 606,149	\$186.17
Percent Funded				14.0%	33.0%	/Lot/month @ 108

See independent accountant's review report.