

LAKE DON PEDRO OWNERS' ASSOCIATION

**FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

YEARS ENDED JUNE 30, 2024 AND 2023

**LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants
San Francisco, California**

LAKE DON PEDRO OWNERS' ASSOCIATION

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YEARS ENDED JUNE 30, 2024 AND 2023**

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LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

100 Montgomery Street, Suite 715
San Francisco, CA 94104

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board Of Directors
Lake Don Pedro Owners' Association
La Grange, California

We have reviewed the accompanying financial statements of **Lake Don Pedro Owners' Association** (the Association) which comprise the balance sheets as of June 30, 2024 and 2023, and the related statements of revenues, expenses and changes in fund balances and cash flows, for the years 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, we 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

Our responsibility is to conduct the review engagements 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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of **Lake Don Pedro Owners' Association** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, 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 accounting principles generally accepted in the United States of America.

Future Major Repairs and Replacements

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

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 required part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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. Such information is the responsibility of management. We have not audited, reviewed or compiled the required supplementary information, and we do not express an opinion, a conclusion, nor provide any assurance on it.


July 30, 2024

LAKE DON PEDRO OWNERS' ASSOCIATION

**BALANCE SHEETS
JUNE 30, 2024 AND 2023**

	2024			2023
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 251,026	\$ 48,494	\$ 299,520	\$ 403,317
Investment in certificates of deposit (Note 2)		577,207	577,207	554,677
Assessments receivable, less allowance for doubtful accounts of \$140,000 and \$127,000, respectively (Note 2)	2,097		2,097	7,939
Prepaid insurance	45,530		45,530	29,513
Other assets	5,177		5,177	4,335
Total assets	<u>\$ 303,830</u>	<u>\$ 625,701</u>	<u>\$ 929,531</u>	<u>\$ 999,781</u>
LIABILITIES				
Accounts payable	\$ 18,963	\$ 3,110	\$ 22,073	\$ 13,682
Assessments paid in advance	215,456		215,456	202,636
Refundable deposits	21,870		21,870	20,640
Income taxes payable	2,653	2,653	5,306	1,678
Vacation payable	9,225		9,225	7,059
Other liabilities	3,387		3,387	3,201
Contract liabilities - replacement reserve assessments paid in advance (Notes 2 and 4)		619,938	619,938	650,255
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	<u>271,554</u>	<u>625,701</u>	<u>897,255</u>	<u>899,151</u>
COMMITMENTS (NOTE 5)	-	-	-	-
FUND BALANCE (DEFICIT)	<u>32,276</u>	<u>-</u>	<u>32,276</u>	<u>100,630</u>
Total liabilities and fund balance	<u>\$ 303,830</u>	<u>\$ 625,701</u>	<u>\$ 929,531</u>	<u>\$ 999,781</u>

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024			2023
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments (Notes 2 and 4)	\$ 339,640	\$ 62,829	\$ 402,469	\$ 324,621
Bad debt recovery (expense)	(33,185)		(33,185)	(10,067)
Interest income (Note 2)		22,870	22,870	5,971
Rental income	34,894		34,894	37,846
Late charges and other income	49,747		49,747	52,870
Total revenues	391,096	85,699	476,795	411,241
EXPENSES				
<u>Administration</u>				
Income tax provision (Note 2)	2,923	2,923	5,846	1,678
Insurance	71,044		71,044	54,535
Legal and accounting	8,179		8,179	5,141
Newsletter	8,306		8,306	12,193
Office, printing and postage	66,434		66,434	50,769
Reserve study	400		400	3,200
	157,286	2,923	160,209	127,516
<u>Maintenance and operations</u>				
Hacienda expenses	9,341	-	9,341	13,437
Janitorial services	30,957		30,957	24,372
Parks expense	3,578		3,578	11,792
Payroll, payroll taxes and benefits	194,950		194,950	191,950
Pool and spa maintenance	3,434		3,434	4,397
Septic maintenance and test	5,182		5,182	7,549
Other maintenance and operations	6,392		6,392	5,120
	253,834	-	253,834	258,617

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024		2023	
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Utilities</u>				
Garbage collection	\$ 5,532	\$ -	\$ 5,532	\$ 5,300
Gas and electricity	42,328		42,328	37,045
Water and sewer	2,958		2,958	2,765
	<u>50,818</u>	<u>-</u>	<u>50,818</u>	<u>45,110</u>
<u>Major repairs and replacements</u>				
Entry and security system	-	-	-	4,340
Fences and gates		7,214	7,214	
Floors and coverings				2,364
Fitness equipment		3,110	3,110	
Other building exterior		23,840	23,840	
Paving				9,750
Pool and spa		2,534	2,534	
Pumps		9,258	9,258	
Roofs		10,800	10,800	
Sewer and drainage		11,985	11,985	
Other major repairs and replacements		14,035	14,035	11,563
	<u>-</u>	<u>82,776</u>	<u>82,776</u>	<u>28,017</u>
Total expenses	<u>461,938</u>	<u>85,699</u>	<u>547,637</u>	<u>459,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(70,842)	-	(70,842)	(48,019)
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	2,488	-	2,488	(28,046)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>100,630</u>	<u>-</u>	<u>100,630</u>	<u>176,695</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 32,276</u>	<u>\$ -</u>	<u>\$ 32,276</u>	<u>\$ 100,630</u>

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024		2023	
	Operations Fund	Replacement Fund	Total Funds	Total Funds
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (70,842)	\$ -	\$ (70,842)	\$ (48,019)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt (recovery) expense	33,185	-	33,185	10,067
Decrease (increase) in assets:				
Assessments receivable	(27,343)		(27,343)	(14,337)
Other assets	(842)		(842)	2,050
Prepaid insurance	(16,017)		(16,017)	(8,706)
Increase (decrease) in liabilities:				
Accounts payable	5,281	3,110	8,391	6,041
Refundable deposits	1,230		1,230	(9,389)
Assessments paid in advance	12,820		12,820	34,962
Other liabilities	186		186	(12,571)
Income taxes payable	1,327	2,301	3,628	1,082
Vacation payable	2,166		2,166	771
Contract liabilities - replacement reserve assessments paid in advance		(30,317)	(30,317)	15,625
Total adjustments	11,993	(24,906)	(12,913)	25,595
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(58,849)	(24,906)	(83,755)	(22,424)
INVESTING ACTIVITIES				
Net (purchase) sale of certificates of deposit	-	(22,530)	(22,530)	(554,677)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	(22,530)	(22,530)	(554,677)

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>Operations</u>	<u>2024</u>	<u>Total</u>	<u>2023</u>
	<u>Fund</u>	<u>Replacement</u>	<u>Funds</u>	<u>Total</u>
		<u>Fund</u>		<u>Funds</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (58,849)	\$ (47,436)	\$ (106,285)	\$ (577,101)
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	2,488	-	2,488	(28,046)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>307,387</u>	<u>95,930</u>	<u>403,317</u>	<u>1,008,464</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 251,026</u>	<u>\$ 48,494</u>	<u>\$ 299,520</u>	<u>\$ 403,317</u>
<u>Supplemental Disclosures</u>				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 1,596</u>	<u>\$ 622</u>	<u>\$ 2,218</u>	<u>\$ 596</u>

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2024 AND 2023

1. THE ASSOCIATION

Lake Don Pedro Owners' Association (the Association) is a common interest development located in La Grange, California which consists of 3122 lots and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in August 1968 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to annual 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 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. The Association's policy is to account for reserve fund expenditures using reserve fund assessments before reserve fund interest income.

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 retain legal counsel and place liens on the properties of owners whose assessments are delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The estimate of allowance for doubtful accounts, if any, is based, generally on amounts past due greater than 90 to 120 days.

Basis of presentation. The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

See independent accountant's review report.

LAKE DON PEDRO OWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents. For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Concentrations of credit risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of June 30, 2024 totaled approximately \$45,000.

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

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent accountant's review report.

LAKE DON PEDRO OWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association has received exemption from tax under IRC Section 501(c)(7) and is subject to tax on net nonmembership income at 21%. California income taxes approximate 9% of taxable income.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds. With the implementation of FASB ASC 606 new accounting guidance, reported replacement reserve interest income may be less than earned.

Investments consist of federally-insured certificates of deposit stated at cost which approximates market value.

Membership in the Association is mandatory by virtue of unit ownership.

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

See independent accountant's review report.