

LAKE DON PEDRO OWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

Part 2 of 2

See independent accountant's review report

LAKE DON PEDRO OWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2025 AND 2024

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 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.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2025 AND 2024

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

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 reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

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 funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2025 AND 2024

4. FASB ASC 606 ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) has issued guidance that created Accounting Standards Codification (ASC) Topic 606. This guidance supercedes the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRAs), Revenue Recognition, and now requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services (i.e. the accumulation of unspent replacement reserve cash and investments from assessment payments over time which are eventually to be used for common area major repairs and replacements). The Association has adopted the guidance as of January 1, 2019. The effect to the Association's income statement from adoption of this guidance is as follows:

<u>2023-2024 Assessment Revenues Reconciliation</u>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<u>Total Funds</u>
Assessment revenues <u>per budget</u>	\$ 339,640	\$ 35,000	\$ 374,640
Effects of applying <u>guidance</u>			
Reclassify <u>interfund transfers</u>	-	(2,488)	(2,488)
Adjust <u>revenues to equal expenses</u>	-	30,317	30,317
Total effects of guidance	-	27,829	27,829
Assessment revenues <u>per financial statements</u>	<u>\$ 339,640</u>	<u>\$ 62,829</u>	<u>\$ 402,469</u>
<u>2024-2025 Assessment Revenues Reconciliation</u>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<u>Total Funds</u>
Assessment revenues <u>per budget</u>	\$ 429,568	\$ 20,000	\$ 449,568
Effects of applying <u>guidance</u>			
Reclassify <u>interfund transfers</u>	-	9,968	9,968
Adjust <u>revenues to equal expenses</u>	-	(29,968)	(29,968)
Total effects of guidance	-	(20,000)	(20,000)
Assessment revenues <u>per financial statements</u>	<u>\$,568</u>	<u>\$ -</u>	<u>\$ 429,568</u>

See independent accountant's review report

LAKE DON PEDRO OWNERS' ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

5. COMMITMENTS

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

6. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 28, 2025, the date that the financial statements were available to be issued.

See independent accountant's review report

LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2025 (UNAUDITED)

The following information on common area major components was compiled by Browning Reserve Group of Sacramento, California **as of January 2025** and has served as the basis for the current estimates of replacement reserve funding:

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2024/2025 Fully Funded Balance</i>
00001 - Hacienda Interior				
03500 - Painting: Interior				
300 - Clubhouse	3,869	5	1	3,095
21,475 sf Hacienda (50%)				
04000 - Structural Repairs				
912 - Doors	8,254	20	10	4,127
Kitchen Sliding Door				
916 - Doors	41,270	20	12	16,508
5 Sliding Doors				
08000 - Rehab				
110 - General	4,131	8	2	3,099
3,440 sf Pavilion				
120 - General	5,479	8	3	3,424
1,360 sf Lounge & Bar				
130 - General	5,405	12	3	4,054
1,276 sf Gym & Library				
140 - General	8,043	5	1	6,435
1,390 sf Kitchen				
150 - General	1,691	5	3	676
922 sf Offices & Lobby				
154 - General	4,159	10	1	3,743
376 sf [3] Rental Offices				
160 - General	4,492	8	1	3,931
649 sf Lower Apartment				
162 - General	1,163	10	1	1,046
300 sf Lower Apartment- Patio Repair				
170 - General	7,239	8	1	6,334
1,251 sf Upper Apartment				
220 - Restrooms	1,720	8	1	1,505
2 Near Lounge				
230 - Restrooms	1,146	8	7	143
2 Near Offices				
14000 - Recreation				
290 - Exercise: Miscellaneous Equip.	17,724	15	13	2,363
Multipurpose Room				
291 - Exercise: Miscellaneous Equip.	3,110	1	0	3,110
Treadmill (2024/2025 Only)[nr:1]				
22000 - Office Equipment				
200 - Computers, Misc.	7,359	15	14	491
Office				
23000 - Mechanical Equipment				
200 - HVAC	12,921	15	4	9,475
Office				
204 - HVAC	12,921	15	9	5,168
Workout Room/Library				
205 - HVAC	548	1	0	548
Heater Repair(2024/2025 Only)[nr:1]				
210 - HVAC	14,456	15	4	10,601
4 Pavilion Evaporative Units				
211 - HVAC	1,397	1	0	1,397
Heater Repairs (2024/2025 Only)[nr:1]				
220 - HVAC	4,696	30	4	4,070
Lounge				
260 - HVAC	6,063	30	15	3,032

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LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2025 (UNAUDITED)

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2024/2025 Fully Funded Balance</i>
00001 - Hacienda Interior				
23000 - Mechanical Equipment				
Lower Apartment				
261 - HVAC Repair (2024/2025 Only)[nr:1]	548	1	0	548
270 - HVAC Upper Apartment	9,187	30	18	3,675
271 - HVAC 2024/2025 Only[nr:1]	589	1	0	589
630 - Water Heater Pavilion Restrooms	678	15	6	407
640 - Water Heater Kitchen	1,063	15	3	851
650 - Water Heater Pool Restrooms	1,063	15	10	354
660 - Water Heater Lower Apartment	1,058	15	0	1,058
670 - Water Heater Upper Apartment	1,671	15	3	1,337
910 - Swamp Cooler Kitchen Evaporative Unit	2,164	30	4	1,876
24000 - Furnishings				
100 - Miscellaneous Office	4,935	10	1	4,442
104 - Miscellaneous Pavilion Stage	5,640	20	3	4,794
110 - Chairs 250 Pavilion Folding Chairs	10,219	25	9	6,540
114 - Chairs 40 Pavilion Folding Chairs	813	25	14	358
118 - Tables 75 Lounge Tables & Folding Chairs	7,456	25	12	3,877
160 - Miscellaneous Lower Apartment- 2019/2020	6,687	15	10	2,229
170 - Miscellaneous Upper Apartment Furnishings- 2019/2020	9,484	15	10	3,161
174 - Miscellaneous Upper Apartment Furnishings	2,432	15	1	2,270
400 - Sofa 3 Lower Apartment- Sofa/Loveseat/Table	1,423	15	10	475
24500 - Audio / Visual				
100 - Television Multipurpose Room	1,152	10	1	1,036
104 - Television 2 Television- Lower Apartment	824	10	6	330
300 - PA System PA System	954	10	1	859
25000 - Flooring				
250 - Laminate 168 Sq. Yds. Offices & Reception Area	2,729	20	18	273
260 - Laminate 73 Sq. Yds. Lower Apartment	2,800	15	8	1,307
404 - Tile 15 Sq. Yds. Lower Apartment	2,064	20	10	1,032
420 - Tile 800 sf Lounge Upper Level	9,258	25	2	8,518
424 - Coatings 684 sf Lounge Lower Level- Stamped Concrete	4,817	15	3	3,853
630 - Vinyl 140 Sq. Yds. Game Room	16,000	15	0	16,000
670 - Vinyl 61 Sq. Yds. Upper Apartment	3,871	18	6	2,581
674 - Vinyl	6,079	20	15	1,520

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LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2025 (UNAUDITED)

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2024/2025 Fully Funded Balance</i>
00001 - Hacienda Interior				
25000 - Flooring				
93 Sq. Yds. Upper Apartment				
920 - Coatings 3,500 sf Pavilion Floor	22,278	17	11	7,863
27000 - Appliances				
220 - Stove/Oven Upper Apartment	608	20	15	152
222 - Refrigerator Upper Apartment	1,238	15	7	660
224 - Refrigerator Lounge	1,063	15	13	142
240 - Dishwasher Upper Apartment	906	17	0	906
260 - Refrigerator Lower Apartment	1,210	20	0	1,210
322 - Washer Lower Apartment	1,210	15	0	1,210
332 - Dryer Lower Apartment	835	15	0	835
340 - Washer Kitchen Area- Housekeeping Washer	625	10	9	63
344 - Dryer Kitchen Area- Housekeeping Dryer	625	10	9	63
360 - Dishwasher Lower Apartment	921	17	0	921
460 - Stove/Oven Lower Apartment	608	20	15	152
540 - Refrigerator Large Commercial Model Kitchen	4,512	20	7	2,933
541 - Refrigerator Large Commercial Model Repair[nr:1]	588	1	0	588
640 - Freezer Large Commercial Model Kitchen	577	15	6	346
740 - Stove/Oven Commercial Model Kitchen	7,282	25	16	2,622
910 - Ice Machine Lounge	5,131	20	18	513
Sub-total Hacienda Interior	347,135			195,701
00003 - Common Area				
01000 - Paving				
110 - Asphalt: Sealing 2,768 sf Sport Court	816	8	1	714
210 - Asphalt: Ongoing Repairs 2,768 sf Sport Court (3%)	354	8	1	309
310 - Asphalt: Overlay 2,768 sf Sport Court	7,072	25	8	4,809
Sub-total Common Area	8,241			5,832
00004 - Hacienda Exterior				
02000 - Concrete				
220 - Walkways 4,550 sf Hacienda (2%)	1,779	8	4	890
400 - Pool Deck 8,650 sf Pool Area Concrete (2%)	4,881	8	9	488
03000 - Painting: Exterior				
100 - Surface Restoration 9,700 sf Hacienda	26,422	12	11	2,202
110 - Surface Restoration 995 sf Trellises	3,650	8	3	2,281
04000 - Structural Repairs				
300 - Trellis 370 sf Upper Apartment	2,820	20	10	1,410

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LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2025 (UNAUDITED)

Reserve Component	Current Repl. Cost	Useful Life	Remaining Life	2024/2025 Fully Funded Balance
00004 - Hacienda Exterior				
04500 - Decking/Balconies				
190 - TBA	4,561	25	17	1,459
539 sf [2] Upper Apartment Balcony Membranes				
200 - TBA	1,902	10	2	1,522
360 sf Upper Apartment Bedrooms Balcony				
210 - TBA	946	10	2	757
179 sf Upper Apartment Living Room Balcony				
05000 - Roofing				
200 - Low Slope: BUR	26,749	15	13	3,567
35 Squares- Upper Apartment & Pavilion				
410 - Pitched: Dimensional Composition	3,232	25	4	2,715
6 Squares- Lounge & Kitchen- Access Walkways				
670 - Pitched: Tile	121,373	30	6	97,098
108 Squares- Hacienda				
700 - Gutters / Downspouts	7,936	30	1	7,672
703 If Hacienda				
19000 - Fencing				
300 - Wood	912	15	6	547
25 If Garbage Enclosure				
390 - Vinyl	4,852	20	7	3,154
215 If Hacienda Rear				
394 - Vinyl	2,462	20	13	862
90 If Front of Pavilion				
20000 - Lighting				
100 - Exterior: Misc. Fixtures	8,122	15	5	5,415
48 Various Lighting Fixtures (40%)				
24600 - Safety / Access				
520 - Card Readers	7,578	10	3	5,304
Hacienda- Key Fob Entry				
521 - Card Readers	762	1	0	762
2024/2025 Only[nr:1]				
700 - Security System	4,088	6	2	2,725
Hacienda				
704 - Security System	18,938	6	3	9,469
Hacienda Add'l Security Cameras				
25000 - Flooring				
400 - Tile	1,995	5	4	399
3,534 sf Courtyard & Entry (5%)				
26000 - Outdoor Equipment				
350 - Furniture	5,203	18	5	3,758
36 Hacienda Patio Chairs				
354 - Furniture	5,203	18	5	3,758
36 Tables and Umbrellas				
Sub-total Hacienda Exterior	266,366			158,213
00012 - Hacienda Parking				
01000 - Paving				
100 - Asphalt: Sealing	10,128	3	1	6,752
46,384 sf Parking & Rear Access Road				
200 - Asphalt: Ongoing Repairs	2,659	3	1	1,772
46,384 sf Parking & Rear Access Road (2%)				
300 - Asphalt: Overlay w/ Interlayer	118,502	25	14	52,141
46,384 sf Parking & Rear Access Road				
02000 - Concrete				
210 - Curbs & Gutters	2,617	10	5	1,309
2,900 If Parking Lot (2%)				
03000 - Painting: Exterior				
104 - Masonry Walls	1,545	12	11	129
540 If Hacienda Perimeter Stucco Walls				
19000 - Fencing				
540 - Gates	6,373	30	9	4,461
2 Entrance Gates				

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2025 (UNAUDITED)

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2024/2025 Fully Funded Balance</i>
00012 - Hacienda Parking				
20000 - Lighting				
540 - Parking Lot	23,689	30	4	20,531
14 Hacienda Parking Lot Lights				
Sub-total Hacienda Parking	165,514			87,095
00028 - Prado Park				
01000 - Paving				
900 - Gravel	5,092	8	5	1,910
40 Cu. Yds. Access Road Replenish				
18500 - Lakes / Ponds				
990 - Miscellaneous	5,931	5	1	4,745
5 Dams/Spillways Cleaning (20%)				
19000 - Fencing				
100 - Chain Link: 4'	3,373	30	13	1,911
184 If Outfield Fence				
21000 - Signage				
900 - Miscellaneous	515	5	4	103
Park Signage				
26000 - Outdoor Equipment				
100 - Tot Lot: Play Equipment	30,068	20	17	4,510
Play Equipment				
101 - Tot Lot: Play Equipment	382	1	0	382
Repair (2024/2025 Only)[nr:1]				
108 - Miscellaneous	3,821	15	13	510
Portable Toilet				
901 - Miscellaneous	2,014	15	4	1,477
Gregoris Park- Portable Toilet				
Sub-total Prado Park	51,197			15,548
00029 - Pool				
04000 - Structural Repairs				
304 - Trellis	16,670	20	13	5,834
550 sf Pool Trellis				
310 - Trellis	13,010	20	2	11,709
450 sf Pool Shade Structure				
05000 - Roofing				
680 - Pitched: Dimensional Composition	956	25	9	612
Pool Equipment Structure				
08000 - Rehab				
210 - Bathrooms	52,375	20	3	44,519
2 Pool Bathrooms				
12000 - Pool				
110 - Resurface	26,188	12	5	15,277
148 If Pool				
700 - Equipment: Replacement	2,658	5	3	1,063
Pool (50%)				
930 - Furniture: Misc	2,419	3	0	2,419
Pool (33%)				
940 - Furniture: Umbrellas	1,288	5	4	258
5 Shade Umbrellas				
990 - Miscellaneous	3,108	20	8	1,865
4 Pool Area Shade Structures				
994 - Miscellaneous	3,108	20	18	311
4 Pool Area Shade Structures- 2022/2023				
19000 - Fencing				
200 - Gates	3,173	30	9	2,221
6 Pool Area Gates				
26000 - Outdoor Equipment				
104 - Tot Lot: Play Equipment	16,986	15	6	10,192
Pool Area Lawn				
108 - Tot Lot: Safety Surface	2,534	3	2	845
40 Cu. Yds. Pool Area- Playground Bark				

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LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2025 (UNAUDITED)

<i>Reserve Component</i>	<i>Current Repl. Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2024/2025 Fully Funded Balance</i>
00029 - Pool				
26000 - Outdoor Equipment				
200 - Pedestal Grill BBQ 3 Pool Area	1,481	12	3	1,110
280 - Picnic Tables 2 Pool	1,974	20	2	1,777
870 - Miscellaneous Soda Machine	2,372	10	6	949
910 - Miscellaneous Courtyard Fountain	1,445	30	9	1,012
Sub-total Pool	151,745			101,971
00032 - Hacienda Support				
08000 - Rehab				
104 - General Tuff Shed	3,645	20	5	2,734
180 - Doors Pavilion Double Doors	4,051	10	7	1,215
19000 - Fencing				
110 - Chain Link: 6' 1,606 lf Perimeter Areas	39,066	30	4	33,858
23000 - Mechanical Equipment				
860 - Septic System Repairs/Maintenance	12,345	15	14	823
26000 - Outdoor Equipment				
840 - Shade Structure White Canopy	633	10	7	190
890 - Miscellaneous BBQ Trailer	1,974	20	2	1,777
28000 - Water System				
100 - Distribution Line Repl. Well-Hacienda Main Water Supply	1,684	20	15	421
130 - Backflow Valves Pump House Backflow	2,383	20	8	1,430
990 - Miscellaneous Pump House- Ongoing Repairs	5,350	6	1	4,458
994 - Miscellaneous Pumphouse- Major Repairs/Replacement	22,798	14	9	8,142
995 - Miscellaneous Repairs/Replacements (2024/2025 Only)[nr:1]	9,258	1	0	9,258
30000 - Miscellaneous				
810 - Maintenance Equipment Riding Lawn Mower	3,384	15	1	3,159
812 - Tractor Massey Ferguson Tractor	46,284	20	9	25,456
820 - Vehicle Kawasaki Mule	7,117	15	11	1,898
Sub-total Hacienda Support	159,973			94,818
00036 - Barn				
04000 - Structural Repairs				
910 - Building Maintenance 1,056 sf Barn Structure	24,050	30	5	20,042
30000 - Miscellaneous				
990 - Trailer Utility Trailer	1,974	20	2	1,777
Sub-total Barn	26,024			21,819
Totals	1,176,197			680,997
				[A]
				[EndBal]
				[A]
Percent Funded				90.94%

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2025
(UNAUDITED)**

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **before-tax interest rate** of **2-1/2%** on replacement fund cash balances and an annual **inflation rate** of **2-1/2%** on major component replacement costs. The replacement fund **cash** and investment balances at June 30, 2025 totaled **\$667,031**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$681,000**. The portion of **2026** regular **assessments** budgeted to be allocated to the replacement fund totals **\$20,000**.

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