LAKE DON PEDRO OWNERS' ASSOCIATION

FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

YEARS ENDED JUNE 30, 2026 AND 2025

LEVY, ERLANGER & COMPANY LLP
San Francisco, California

LAKE DON PEDRO OWNERS' ASSOCIATION

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LEVY, ERLANGER & COMPANY LLP

100 Montgomery Street, Suite 715
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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, 2026 and 2025, 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.

Levy, Eleuch & Company LLP

August 7, 2026

LAKE DON PEDRO OWNERS' ASSOCIATION

BALANCE SHEETS
JUNE 30, 2026 AND 2025

	2026			2025
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	$ 353,730	$ 121,139	$ 474,869	$ 357,928
Investment in certificates of deposit (Note 2)		560,282	560,282	598,418
Assessments receivable, less allowance for doubtful accounts of $202,000 and $165,000, respectively (Note 2)	1,912		1,912	5,850
Prepaid insurance	34,484		34,484	35,220
Prepaid income taxes	776	517	1,293	
Other assets	15,621		15,621	14,600
Total assets	$ 406,523	$ 681,938	$ 1,088,461	$ 1,012,016
LIABILITIES				
Accounts payable	$ 20,329	$ -	$ 20,329	$ 19,636
Assessments paid in advance	229,155		229,155	240,572
Refundable deposits	15,555		15,555	17,470
Income taxes payable				8,597
Vacation payable	5,396		5,396	6,528
Other liabilities	8,753		8,753	6,288
Contract liabilities - replacement reserve assessments paid in advance (Notes 2 and 4)		681,938	681,938	660,921
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	279,188	681,938	961,126	960,012
COMMITMENTS (NOTE 5)	-	-	-	-
FUND BALANCE (DEFICIT)	127,335	-	127,335	52,004
Total liabilities and fund balance	$ 406,523	$ 681,938	$ 1,088,461	$ 1,012,016

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, 2026 AND 2025

	2026			2025
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments (Notes 2 and 4)	$ 460,788	$ 9,636	$ 470,424	$ 429,568
Bad debt recovery (expense)	(41,750)		(41,750)	(25,000)
Interest income (Note 2)		16,874	16,874	10,375
Rental income	33,495		33,495	37,215
Late charges and other income	61,004		61,004	51,156
Total revenues	513,537	26,510	540,047	503,314
EXPENSES				
Administration				
Income tax provision (Note 2)	3,172	2,115	5,287	6,535
Insurance	57,683		57,683	68,478
Legal and accounting	9,194		9,194	7,622
Newsletter	9,330		9,330	9,322
Office, printing and postage	54,894		54,894	60,412
Reserve study	3,700		3,700	400
	137,973	2,115	140,088	152,769
Maintenance and operations				
Hacienda expenses	13,351	-	13,351	9,481
Janitorial services	33,892		33,892	34,236
Parks expense	1,895		1,895	2,275
Payroll, payroll taxes and benefits	177,298		177,298	198,115
Pool and spa maintenance	2,538		2,538	3,607
Septic maintenance and test	4,419		4,419	4,470
Other maintenance and operations	5,150		5,150	9,140
	238,543	-	238,543	261,324

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, 2026 AND 2025

	2026			2025
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
Utilities				
Garbage collection	$ 6,119	$ -	$ 6,119	$ 5,958
Gas and electricity	40,257		40,257	42,764
Water and sewer	4,661		4,661	3,434
	51,037	-	51,037	52,156
Major repairs and replacements				
Floors and coverings	-	8,343	8,343	-
HVAC system				1,396
Paving		13,269	13,269	
Pumps				1,095
Other major repairs and replacements		2,783	2,783	4,878
	-	24,395	24,395	7,369
Total expenses	427,553	26,510	454,063	473,618
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	85,984	-	85,984	29,696
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	(10,653)	-	(10,653)	(9,968)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	52,004	-	52,004	32,276
FUND BALANCE (DEFICIT), END OF YEAR	$ 127,335	$ -	$ 127,335	$ 52,004

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026			2025
	Operations Fund	Replacement Fund	Total Funds	Total Funds
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	$ 85,984	$ -	$ 85,984	$ 29,696
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt (recovery) expense	41,750	-	41,750	25,000
Decrease (increase) in assets:				
Assessments receivable	(37,812)		(37,812)	(28,753)
Prepaid insurance	736		736	10,310
Prepaid income taxes	(776)	(517)	(1,293)	
Other assets	(1,021)		(1,021)	(9,423)
Increase (decrease) in liabilities:				
Accounts payable	693		693	(2,437)
Refundable deposits	(1,915)		(1,915)	(4,400)
Vacation payable	(1,132)		(1,132)	(2,697)
Assessments paid in advance	(11,417)		(11,417)	25,116
Income taxes payable	(2,487)	(6,110)	(8,597)	3,291
Other liabilities	2,465		2,465	2,901
Contract liabilities - replacement reserve assessments paid in advance		21,017	21,017	40,983
Total adjustments	(10,916)	14,390	3,474	59,891
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	75,068	14,390	89,458	89,587
INVESTING ACTIVITIES				
Net (purchase) sale of certificates of deposit	-	38,136	38,136	(21,211)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	38,136	38,136	(21,211)

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026			2025
	Operations Fund	Replacement Fund	Total Funds	Total Funds
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 75,068	$ 52,526	$ 127,594	$ 68,376
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	(10,653)	-	(10,653)	(9,968)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	289,315	68,613	357,928	299,520
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 353,730	$ 121,139	$ 474,869	$ 357,928
Supplemental Disclosures				
Interest paid	$ -	$ -	$ -	$ -
Income taxes paid	$ 6,435	$ 8,742	$ 15,177	$ 3,244

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2026 AND 2025

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.

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, 2026 totaled approximately $781,000.

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.

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 and/or penalties levied by the taxing authorities, if any, are not included in income tax expense.

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.

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).

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 July 1, 2019. The effect to the Association's income statement from adoption of this guidance is as follows:

2025-2026 Assessment Revenues Reconciliation	Operations Fund	Replacement Fund	**Total Funds**
Assessment revenues **per budget**	$ 460,788	$ 20,000	**$ 480,788**
Effects of applying **guidance**			
Reclassify **interfund transfers**	-	10,653	**10,653**
Adjust **revenues to equal expenses**	-	(21,017)	**(21,017)**
Total effects of guidance	-	(10,364)	**(10,364)**
Assessment revenues **per financial statements**	$ 460,788	$ 9,636	**$ 470,424**

2024-2025 Assessment Revenues Reconciliation	Operations Fund	Replacement Fund	**Total Funds**
Assessment revenues **per budget**	$ 429,568	$ 20,000	**$ 449,568**
Effects of applying **guidance**			
Reclassify **interfund transfers**	-	9,968	**9,968**
Adjust **revenues to equal expenses**	-	(29,968)	**(29,968)**
Total effects of guidance	-	(20,000)	**(20,000)**
Assessment revenues **per financial statements**	$ 429,568	$ -	**$ 429,568**

See independent accountant's review report.

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 7, 2026, the date that the financial statements were available to be issued.

LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2026 (UNAUDITED)

The following information on common area major components was compiled by Browning Reserve Group of Sacramento, California **as of April 2026** and has served as the basis for the current estimates of replacement reserve funding:

Reserve Component	*Current Replacement Cost*	*Useful Life*	*Remaining Life*	*2025/2026 Fully Funded Balance*
01000 - Paving	**150,085**	**3-25**	**1-13**	**76,882**
02000 - Concrete	**9,519**	**8-10**	**3-8**	**3,304**
03000 - Painting: Exterior	**32,484**	**8-12**	**2-10**	**7,591**
03500 - Painting: Interior	**3,973**	**5-5**	**1-1**	**3,178**
04000 - Structural Repairs	**108,855**	**20-30**	**1-12**	**66,207**
04500 - Decking/Balconies	**7,627**	**10-25**	**1-16**	**4,332**
05000 - Roofing	**173,912**	**20-30**	**1-18**	**120,574**
08000 - Rehab	**107,707**	**1-20**	**0-6**	**90,709**
12000 - Pool	**40,180**	**1-20**	**0-17**	**23,848**
14000 - Recreation	**18,170**	**15-15**	**12-12**	**3,634**
18500 - Lakes / Ponds	**6,080**	**5-5**	**1-1**	**4,864**
19000 - Fencing	**63,306**	**1-30**	**0-12**	**51,970**
20000 - Lighting	**32,642**	**15-30**	**3-4**	**27,986**
21000 - Signage	**530**	**5-5**	**3-3**	**212**
22000 - Office Equipment	**7,545**	**15-15**	**13-13**	**1,006**
23000 - Mechanical Equipment	**85,951**	**1-30**	**0-17**	**52,105**
24000 - Furnishings	**50,380**	**10-25**	**1-13**	**31,136**
24500 - Audio / Visual	**3,005**	**10-10**	**1-5**	**2,367**
24600 - Safety / Access	**31,375**	**6-10**	**1-2**	**22,651**
25000 - Flooring	**79,098**	**5-25**	**0-17**	**52,813**
26000 - Outdoor Equipment	**77,642**	**3-30**	**1-16**	**37,933**
27000 - Appliances	**29,150**	**1-25**	**0-17**	**15,334**
28000 - Water System	**33,030**	**6-20**	**1-14**	**16,695**
30000 - Miscellaneous	**60,240**	**15-20**	**1-10**	**36,063**
Totals	**$1,212,487**			**$753,395**
Estimated Ending Balance				**$678,997**
Percent Funded				**90.1%**

See independent accountant's review report and accompanying notes.

LAKE DON PEDRO OWNERS' ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS JUNE 30, 2026 (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, 2026 totaled **$681,421**. The estimated **liability** for major repairs and replacements at this date totaled approximately **$753,000**. The portion of **2027** regular **assessments** budgeted to be allocated to the replacement fund totals **$32,500**.

See independent accountant's review report and accompanying notes.