

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

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

YEARS ENDED JUNE 30, 2021 AND 2020

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

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

**CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>Page(s)</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 - 2
BALANCE SHEETS	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES	4
STATEMENTS OF CASH FLOWS	5 - 6
NOTES TO FINANCIAL STATEMENTS	7 - 10

LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

290 King Street, Suite 12
San Francisco, CA 94107

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board Of Directors
Hiddenbrooke Property Owners Association
Vallejo, California

We have reviewed the accompanying financial statements of **Hiddenbrooke Property Owners Association** (the Association) which comprise the balance sheets as of June 30, 2021 and 2020, 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 the 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.

Board Of Directors
Hiddenbrooke Property Owners Association
Independent Accountant's Review Report (Continued)

Accountant's Conclusion on the Financial Statements

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.

Lee, Elmer & Company LLP

September 3, 2021

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

**BALANCE SHEETS
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 132,957	\$ 111,611
Assessments receivable, less allowance for doubtful accounts of \$116,528 and \$98,655, respectively (Note 2)	2,664	450
HMD fund receivable	3,758	344
Prepaid insurance	<u>1,151</u>	<u>103</u>
Total assets	<u>\$ 140,530</u>	<u>\$ 112,508</u>
LIABILITIES		
Accounts payable	\$ 4,273	\$ 3,240
Assessments paid in advance	72,627	66,058
Social event liability	<u>2,000</u>	<u>2,000</u>
Total liabilities	<u>78,900</u>	<u>71,298</u>
COMMITMENTS (NOTE 3)	-	-
FUND BALANCE (DEFICIT)	<u>61,630</u>	<u>41,210</u>
Total liabilities and fund balance	<u>\$ 140,530</u>	<u>\$ 112,508</u>

See independent accountant's review report and accompanying notes.

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUES		
Assessments	\$ 103,785	\$ 89,133
Legal fees special assessments		8,547
Bad debt recovery (expense)	(18,349)	(10,833)
Fines and penalties	14,400	10,713
Interest income (Note 2)	42	576
Late charges and other income	<u>12,240</u>	<u>4,867</u>
Total revenues	<u>112,118</u>	<u>103,003</u>
EXPENSES		
<u>Administration</u>		
Insurance	13,313	12,658
Legal, accounting and consulting	3,495	23,578
Management	56,496	55,218
Office, printing and postage	<u>18,394</u>	<u>25,719</u>
	<u>91,698</u>	<u>117,173</u>
<u>Maintenance and operations</u>		
Social events expense	-	1,218
Other maintenance and operations		<u>811</u>
	<u>-</u>	<u>2,029</u>
Total expenses	<u>91,698</u>	<u>119,202</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	20,420	(16,199)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>41,210</u>	<u>57,409</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 61,630</u>	<u>\$ 41,210</u>

See independent accountant's review report and accompanying notes.

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 20,420	\$ (16,199)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:		
Bad debt expense (recovery)	18,349	10,833
Decrease (increase) in assets:		
Assessments receivable	(20,563)	(6,525)
HMD fund receivable	(3,414)	2,815
Prepaid insurance	(1,048)	(103)
Prepaid income taxes		4
Increase (decrease) in liabilities:		
Accounts payable	1,033	(1,939)
Assessments paid in advance	6,569	6,167
Total adjustments	926	11,252
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>21,346</u>	<u>(4,947)</u>
INVESTING ACTIVITIES		
Net (purchase) sale of certificates of deposit	-	76,158
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>-</u>	<u>76,158</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,346	71,211
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>111,611</u>	<u>40,400</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 132,957</u>	<u>\$ 111,611</u>

See independent accountant's review report and accompanying notes.

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<u>Supplemental Disclosures</u>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ (4)</u>

See independent accountant's review report and accompanying notes.

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 AND 2020

1. THE ASSOCIATION

Hiddenbrooke Property Owners Association (the Association) is a common interest development located in Vallejo, California which consists of 1,221 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in December 2005 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 operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board Of Directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

See independent accountant's review report.

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 totaled approximately \$-0-.

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. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association.

See independent accountant's review report.

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 AND 2020

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 may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at a flat 21% rate on net nonmember income; in the latter case it is taxed at a flat 30% rate on net nonexempt function income (which is generally similar to net nonmember income). California income tax approximates 9% of net nonmember 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 fund, net of related income taxes, is retained in said respective fund.

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.

HIDDENBROOKE PROPERTY OWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

3. 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.

4. RELATED PARTY TRANSACTIONS

The Association entered into an agreement with a member for landscaping management services rendered to the Association. The Association paid \$8,496 and \$8,510 to the member for the years ended June 30, 2021 and 2020, respectively. The Board of Directors believes that the service fees charged were equivalent to those that would have been obtained through an arms length service with any other contractors.

5. COVID-19

In December 2019 a novel strain of coronavirus surfaced and has spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization in January 2020. The effect of this virus on the financial position and/or results of operations of the Association is unknown at this time.

6. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 3, 2021, the date that the financial statements were available to be issued.

See independent accountant's review report.