

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

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

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

100 Montgomery Street, Suite 715
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board Of Directors
Oakridge Village Homeowners Association
Danville, California

We have reviewed the accompanying financial statements of **Oakridge Village Homeowners Association** (the Association) which comprise the balance sheets as of December 31, 2023 and 2022, 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 **Oakridge Village Homeowners 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 not completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. When such a study is completed, the reasonableness of the resulting replacement reserve funding plan will be 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

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. The results of our review of the basic financial statements are not affected by that missing information.



September 11, 2024

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

BALANCE SHEETS DECEMBER 31, 2023 AND 2022

	2023			2022
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 31,027	\$ 4,378	\$ 35,405	\$ 36,336
Investment in certificates of deposit (Note 2)		10,216	10,216	
Assessments receivable (Note 2)	658		658	2,378
Prepaid insurance	2,614		2,614	1,189
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 34,299</u>	<u>\$ 14,594</u>	<u>\$ 48,893</u>	<u>\$ 39,903</u>
LIABILITIES				
Accounts payable	\$ 9,853	\$ -	\$ 9,853	\$ 8,863
Assessments paid in advance	8,067		8,067	3,240
Contract liabilities - replacement reserve				
assessments paid in advance (Notes 2 and 4)		14,594	14,594	13,820
Future major repairs and replacements (Note 3)	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>17,920</u>	<u>14,594</u>	<u>32,514</u>	<u>25,923</u>
COMMITMENTS (NOTE 5)	-	-	-	-
FUND BALANCE (DEFICIT)	<u>16,379</u>	<u>-</u>	<u>16,379</u>	<u>13,980</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 34,299</u>	<u>\$ 14,594</u>	<u>\$ 48,893</u>	<u>\$ 39,903</u>

See independent accountant's review report and accompanying notes.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments (Notes 2 and 4)	\$ 104,012	\$ 502	\$ 104,514	\$ 105,754
Interest income (Note 2)		298	298	38
Late charges and other income	57		57	32
Total revenues	104,069	800	104,869	105,824
EXPENSES				
<u>Administration</u>				
Insurance	3,508	-	3,508	3,491
Legal and accounting	3,093		3,093	1,365
Management	6,687		6,687	6,492
Office, printing and postage	659		659	1,202
	13,947	-	13,947	12,550
<u>Maintenance and operations</u>				
Irrigation system maintenance	6,726	-	6,726	6,200
Landscape maintenance	38,112		38,112	37,927
Tree maintenance	5,600		5,600	5,370
Other maintenance and operations	1,700		1,700	2,729
	52,138	-	52,138	52,226
<u>Utilities</u>				
Gas and electricity	385	-	385	665
Water and sewer	35,200		35,200	32,353
	35,585	-	35,585	33,018
<u>Major repairs and replacements</u>				
Landscaping, trees and irrigation	-	800	800	9,652
	-	800	800	9,652
Total expenses	101,670	800	102,470	107,446

See independent accountant's review report and accompanying notes.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>			<u>2022</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 2,399	\$ -	\$ 2,399	\$ (1,622)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>13,980</u>	<u>-</u>	<u>13,980</u>	<u>15,602</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 16,379</u>	<u>\$ -</u>	<u>\$ 16,379</u>	<u>\$ 13,980</u>

See independent accountant's review report and accompanying notes.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		2022
	Operations Fund	Replacement Fund	Total Funds
OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 2,399	\$ -	\$ 2,399
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Decrease (increase) in assets:			
Assessments receivable	1,720	-	1,720
Prepaid insurance	(1,425)		(1,425)
Increase (decrease) in liabilities:			
Accounts payable	990		990
Assessments paid in advance	4,827		4,827
Contract liabilities - replacement reserve assessments paid in advance		774	774
Total adjustments	6,112	774	6,886
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	8,511	774	9,285
INVESTING ACTIVITIES			
Net (purchase) sale of certificates of deposit	-	(10,216)	(10,216)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	(10,216)	(10,216)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,511	(9,442)	(931)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,516	13,820	36,336
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 31,027	\$ 4,378	\$ 35,405

See independent accountant's review report and accompanying notes.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022

1. THE ASSOCIATION

Oakridge Village Homeowners Association (the Association) is a common interest development located in Danville, California which consists of 41 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in May 1980 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 quarterly 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.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022

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 December 31, 2023 totaled approximately \$-0-.

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.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022

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 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.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022

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 not completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. When such a study is completed, the reasonableness of the resulting reserve funding plan will be 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).

See independent accountant's review report.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022

4. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) has issued new guidance that created Accounting Standards Codification (ASC) Topic 606. This new guidance supersedes 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 new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenues and contract liabilities - replacement reserve assessments paid in advance.

<u>2023 Assessment Revenues Reconciliation</u>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<u>Total Funds</u>
Assessment revenues <u>per budget</u>	\$ 104,012	\$ 1,276	\$ 105,288
Effects of applying <u>new guidance</u>			
Adjust revenues to equal expenses	-	(774)	(774)
Total effects of new guidance	-	(774)	(774)
Assessment revenues <u>per financial statements</u>	<u>\$ 104,012</u>	<u>\$ 502</u>	<u>\$ 104,514</u>

<u>2022 Assessment Revenues Reconciliation</u>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<u>Total Funds</u>
Assessment revenues <u>per budget</u>	\$ 96,140	\$ 1,276	\$ 97,416
Effects of applying <u>new guidance</u>			
Adjust revenues to equal expenses	-	8,338	8,338
Total effects of new guidance	-	8,338	8,338
Assessment revenues <u>per financial statements</u>	<u>\$ 96,140</u>	<u>\$ 9,614</u>	<u>\$ 105,754</u>

See independent accountant's review report.

OAKRIDGE VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022

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 September 11, 2024, the date that the financial statements were available to be issued.

See independent accountant's review report.