

Villa Antigua Homeowners Association

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October 25, 2023

Dear Villa Antigua Homeowners Association Members,

Attached is the official Financial Report for the association's recently concluded fiscal year. This was prepared by the Association's independent CPA. The distribution of this financial report to members is required by California Civil Code.

We recommend your review of this document since it summarizes the association's financial position and operations last year. However, there is no specific action required by you.

If you have any questions regarding the content of this report, please feel free to address your questions to me at your convenience or you may address the Board of Directors at a future meeting.

We'd also like to take this opportunity to provide you with the contact information on your current General Manager. Email is the best way to reach me. If you'd like to meet in person at the office, please call or email to set an appointment. My in-office hours vary, and I don't want to miss you.

General Manager: Clover Ericson
By phone: (858) 268-0929
By email: office@villaantiguahoa.org
By fax: (858) 430-6635
Website: www.villaantiguahoa.org

For after-hours emergency maintenance service call or text: (858) 472-0929

We look forward to continued service to your community.

Sincerely yours,

Clover Ericson

Clover Ericson, CMCA
Community General Manager

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

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Gregory V. Villard

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Members
Villa Antigua Homeowners Association

I have reviewed the accompanying financial statements of Villa Antigua Homeowners Association, which comprise the balance sheet as of June 30, 2023, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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, I 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

My responsibility is to conduct the review engagement 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Villa Antigua Homeowners Association and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Accountant's Conclusion on the Financial Statements

Based on my review, I am 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.

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 is presented for purposes of additional analysis, and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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 information is the responsibility of management. I have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Gregory V. Villard

La Mesa, California
October 24, 2023

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
BALANCE SHEET
JUNE 30, 2023

<u>ASSETS</u>	Operating Fund	Replacement Fund	Total
Cash & Cash Equivalents	\$ 52,765	\$ 205,568	\$ 258,333
Certificates of Deposit	-	552,158	552,158
Assessments Receivable	1,120	-	1,120
Prepaid Insurance	7,680	-	7,680
Interest Receivable	-	2,813	2,813
Total Assets	\$ 61,565	\$ 760,539	\$ 822,104
<u>LIABILITIES</u>			
Accounts Payable	\$ 14,235	\$ -	\$ 14,235
Prepaid Assessments	18,619	-	18,619
Income Taxes Payable	1,530	-	1,530
Total Liabilities	34,384	-	34,384
<u>FUND BALANCES</u>	27,181	760,539	787,720
Total Liabilities and Fund Balances	\$ 61,565	\$ 760,539	\$ 822,104

See accompanying notes and independent accountant's review report.

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

<u>REVENUES</u>	Operating Fund	Replacement Fund	Total
Regular Assessments	\$ 565,200	\$ 283,200	\$ 848,400
Interest	113	7,800	7,913
Other Member Charges	1,724	-	1,724
Total Revenues	567,037	291,000	858,037
 <u>EXPENSES</u>			
Maintenance			
Pest Control	445	-	445
Janitorial Services	216	-	216
Pool Maintenance	13,769	-	13,769
Landscaping Maintenance	18,934	-	18,934
Tree Maintenance	36,860	-	36,860
Payroll & Payroll Taxes	270,942	-	270,942
Area Repairs & Supplies	1,316	-	1,316
Repair/Maintenance Units	36,862	-	36,862
Plumbing	878	-	878
Total Maintenance	380,222	-	380,222
Utilities			
Gas & Electricity	13,337	-	13,337
Water & Sewer	40,249	-	40,249
Trash Removal	4,041	-	4,041
Telephone/Internet	3,199	-	3,199
Total Utilities	60,826	-	60,826
General and Administrative			
Legal/Review/Tax Preparation	6,268	-	6,268
Insurance	42,366	-	42,366
Office & Administrative	30,962	-	30,962
Income Taxes	2,255	-	2,255
License & Permits	471	-	471
UGMO Lease Contract	9,426	-	9,426
Total Administrative	91,748	-	91,748
Major Repair and Replacements	-	241,722	241,722
Total Expenses	532,796	241,722	774,518
Excess (Deficiency) of Revenues over Expenses	34,241	49,278	83,519
Beginning Fund Balances	220,078	484,123	704,201
Interfund Transfers (Net)	(227,138)	227,138	-
Ending Fund Balances	\$ 27,181	\$ 760,539	\$ 787,720

See accompanying notes and independent accountant's review report.

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues over Expenses	\$ 34,241	\$ 49,278	\$ 83,519
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	(1,120)	-	(1,120)
Prepaid Insurance	(7,680)	-	(7,680)
Prepaid Income Taxes	725	-	725
Interest Receivable	-	(2,344)	(2,344)
Increase (Decrease) in:			
Accounts Payable	(26,059)	-	(26,059)
Prepaid Assessments	5,324	-	5,324
Income Taxes Payable	1,530	-	1,530
	6,961	46,934	53,895
Net Cash Provided (Used) by Operating Activities	6,961	46,934	53,895
Net Increase(Decrease) in Cash	6,961	46,934	53,895
Cash at Beginning of Year	272,942	483,654	756,596
Interfund Transfers (Net)	(227,138)	227,138	-
Cash at End of Year	\$ 52,765	\$ 757,726	\$ 810,491
Supplemental Disclosure:			
Income Taxes Paid	\$ 35	\$ -	\$ 35

See accompanying notes and independent accountant's review report.

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. ORGANIZATION

Villa Antigua Homeowners Association is a common interest realty association that was incorporated on March 15, 1978, under the general nonprofit laws of the State of California. The Association was organized to provide for the management and maintenance of the commonly owned areas of the housing development which includes 202 residential units located in San Diego, California.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association's records are maintained on the modified accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when paid. The accompanying financial statements and the Association's corporate income tax returns have been prepared on the accrual method of accounting in accordance with generally accepted accounting principles whereby revenues are recognized when earned and expenses are recognized when incurred.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure 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 the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Personal property and equipment acquired by the Association, if material, are recorded at cost. These assets, if significant in amount, are capitalized and depreciated over their estimated useful lives using the straight-line method of depreciation.

Statement of Cash Flows

According to FASB ASC 230-10 regarding the Statement of Cash Flows, certificates of deposits and securities with original maturities of three months or less are classified as cash equivalents. Certificates of deposit and securities with original maturities over three months are considered short-term investments. The Association's policy is to treat all cash, cash equivalents, and short-term investments together as cash funds.

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. INCOME TAXES

For the year ended June 30, 2023, the Association filed its tax returns as a homeowners association under IRC Section 528 and State Revenue & Tax Code 23701T, whereby the Association is generally taxed on non-membership income, such as interest earnings. Federal and California income tax expenses for the year were \$1,697 and \$558, respectively. As of June 30, 2023, the Association owes \$1,185 in Federal and \$345 in California income taxes. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates, if any, are appropriate based on the current facts and circumstances. Further, the Association has concluded that as of June 30, 2023, there are no uncertain tax positions taken that would require recognition of a liability or disclosure in the financial statements. The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years and the California Franchise Tax Board generally for four years after the returns were filed.

NOTE 4. MEMBER ASSESSMENTS & REVENUE RECOGNITION

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of members are determined by the Board of Directors, who are elected by owners. Any excess assessments at the year-end are retained by the Association for use in the succeeding year. The Association records both the Operating and Replacement Funds assessments as revenue when due, which is in compliance with FASB ASC 606. Monthly assessments to members were \$350 per unit for the year.

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's policy is to accumulate funds for future major repairs and replacements. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study in April 2023 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on this study.

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

NOTE 6. ASSESSMENTS RECEIVABLE

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments and charges from unit owners. The Association's governing documents provide for various collection methods for delinquent assessments and other charges, including filing of liens on an owner's unit, foreclosing on the unit owner, and obtaining a legal judgement on an owner's other assets. As of June 30, 2023, there are \$1,120 in assessments and charges due from homeowners and \$18,619 of assessments have been paid in advance.

NOTE 7. FAIR VALUE MEASUREMENTS

Fair values are measured along the following criteria:

Level 1 input: Quoted prices in active markets for identical assets

Level 2 input: Significant observable inputs

Level 3 input: Significant unobservable inputs

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents: The carrying amount approximates fair value because of the short maturities.
- Certificates of deposit: The fair value of certificates of deposit is determined based on quoted market prices.

Fair values of the Association's financial instruments at June 30, 2023 are as follows, and all values are classified as Level 1 inputs:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and Cash Equivalents	\$258,333	\$258,333
Certificates of Deposit	552,158	552,158

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 24, 2023, the date that the financial statements were available to be issued.

VILLA ANTIGUA HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 JUNE 30, 2023
 (unaudited)

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the components of common property as of June 30, 2023. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated Components of Fund Balance at June 30, 2023</u>
Building Envelope	0 to 27	\$ 2,561,910	\$ 537,070
Fencing/Walls/Gates	2 to 39	283,505	59,433
Clubhouse Interiors	2 to 18	90,455	18,963
Recreation	0 to 24	260,240	54,556
Landscaping/Irrigation	0 to 29	198,480	41,609
Miscellaneous	0 to 11	<u>233,300</u>	<u>48,908</u>
Total		<u>\$ 3,627,890</u>	<u>\$ 760,539</u>

According to the study, the annual replacement funding requirement and accumulated replacement funding requirement are \$313,200 and \$1,658,614, respectively. The study determined the funding program to be 39.9% funded as of June 30, 2023.

See Independent Accountant's Review Report