

# MEMORANDUM

**DATE:** November 28, 2023  
**TO:** The Mountain View Community Association Membership  
**FROM:** Board of Directors  
**RE:** 2023 Audit

---

Enclosed for your review are the following documents:

- Year-end financial statements for Mountain View Community Association
- Annual Homeowner Disclosure Form

Civil Code requires that the Association engage a Certified Public Accountant to perform an audit or review of the financial statements for any fiscal year in which the gross income of the Association exceeds \$75,000.

A list of the names and addresses of the current members is located at the Association's managing office.

Should you have any questions regarding the enclosed information, please feel free to contact Amy Dankel of FirstService Residential at 951-973-7519 or [Amy.Dankel@FSResidential.com](mailto:Amy.Dankel@FSResidential.com).

Sincerely,

Amy Dankel, CMCA  
Senior Community Manager



Member:  
American Institute  
of Certified Public  
Accountants

Member:  
California Society  
of Certified Public  
Accountants

23282 Mill Creek Drive, Suite 200  
Laguna Hills, CA 92653

Phone: (949) 586-6640  
Fax: (949) 586-6137

To the Board of Directors and Members of  
Mountain View Community Association

## **INDEPENDENT AUDITOR'S REPORT**

### **Opinion**

We have audited the accompanying financial statements of Mountain View Community Association, which comprise the balance sheet as of July 31, 2023, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain View Community Association as of July 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mountain View Community Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain View Community Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mountain View Community Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain View Community Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Other Matter**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

#### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 9 be presented to supplement the basic financial statements. Such information, although not 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Inouye, Shively, Klatt & McCorvey**

*Inouye, Shively, Klatt & McCorvey*

Laguna Hills, CA  
October 24, 2023

**MOUNTAIN VIEW COMMUNITY ASSOCIATION**  
**BALANCE SHEET**  
**AS OF JULY 31, 2023**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 135,525	\$ 406,005	\$ 541,530
Investments	-	969,704	969,704
Assessments receivable	27,109	-	27,109
Allowance for doubtful accounts	(22,700)	-	(22,700)
Accrued interest receivable	-	5,035	5,035
Prepaid expenses	372	-	372
<b>Total assets</b>	<b>140,306</b>	<b>1,380,744</b>	<b>1,521,050</b>
<b>Liabilities</b>			
Accounts payable	10,554	-	10,554
Prepaid/deferred assessments	18,542	1,380,744	1,399,286
Income taxes payable	8,575	-	8,575
	37,671	1,380,744	1,418,415
<b>Fund balances</b>	<b>102,635</b>	<b>-</b>	<b>102,635</b>
<b>Total liabilities and fund balances</b>	<b>\$ 140,306</b>	<b>\$ 1,380,744</b>	<b>\$ 1,521,050</b>

See independent auditors' report and accompanying notes to financial statements.

**MOUNTAIN VIEW COMMUNITY ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JULY 31, 2023**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Revenues</b>			
Member assessments	\$ 303,312	\$ 336	\$ 303,648
Investment income	-	32,073	32,073
Clubhouse rental	300	-	300
Other income	6,212	-	6,212
<b>Total revenues</b>	<b>309,824</b>	<b>32,409</b>	<b>342,233</b>
<b>Expenses</b>			
Landscape services	53,921	5,260	59,181
Pool/spa services	15,353	5,249	20,602
General maintenance and repairs	28,723	1,073	29,796
Security/patrol services	6,638	-	6,638
Pest control	3,745	-	3,745
Janitorial services	14,970	-	14,970
Street sweeping	1,716	-	1,716
Water	11,604	-	11,604
Electricity	24,966	-	24,966
Gas	17,449	-	17,449
Cable TV/telephone	6,948	-	6,948
Refuse	675	-	675
Management fees	56,496	-	56,496
Office supplies/printing/postage	2,515	-	2,515
Insurance	10,125	-	10,125
Legal and collection	2,196	-	2,196
Audit/tax preparation/reserve study	2,200	-	2,200
General and administrative	26,162	-	26,162
Paved surfaces	-	2,675	2,675
Fences & gates	-	15,785	15,785
Recreation	-	2,367	2,367
Income taxes	10,134	-	10,134
<b>Total expenses</b>	<b>296,536</b>	<b>32,409</b>	<b>328,945</b>
Excess of revenues over expenses	13,288	-	13,288
Beginning fund balances	89,347	-	89,347
<b>Ending fund balances</b>	<b>\$ 102,635</b>	<b>\$ -</b>	<b>\$ 102,635</b>

See independent auditors' report and accompanying notes to financial statements.

**MOUNTAIN VIEW COMMUNITY ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JULY 31, 2023**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Excess of revenues over expenses	\$ 13,288	\$ -	\$ 13,288
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities			
Decrease in net assessments receivable	166	-	166
Increase in accrued interest receivable	-	(2,460)	(2,460)
Decrease in prepaid expenses	4,186	-	4,186
Decrease in accounts payable	(1,832)	(4,125)	(5,957)
Increase (decrease) in prepaid/deferred assessments	(996)	97,224	96,228
Increase in income taxes payable	8,575	-	8,575
Total adjustments	10,099	90,639	100,738
Net cash provided by operating activities	23,387	90,639	114,026
<b>Cash flows from investing activities:</b>			
Disposition of investments - net	-	43,068	43,068
Net cash provided by investing activities	-	43,068	43,068
<b>Net increase in cash and cash equivalents</b>	23,387	133,707	157,094
Cash and cash equivalents at beginning of year	112,138	272,298	384,436
Cash and cash equivalents at end of year	\$ 135,525	\$ 406,005	\$ 541,530
<b>Supplemental disclosure</b>			
Income taxes paid	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to financial statements.

**MOUNTAIN VIEW COMMUNITY ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 1 - NATURE OF ORGANIZATION**

Mountain View Community Association ("Association") is a nonprofit mutual benefit corporation responsible for preserving and maintaining the common property within the development. The Association consists of 255 residential units occupying a site in Moreno Valley, California and was incorporated on August 11, 2000.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (a) Basis of Accounting: Accounting records for the Association are maintained on the cash basis of accounting, which recognizes revenues when received and expenses when paid. For audit and tax purposes, adjustments have been made to convert the Association's financial statements to the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.
- (b) Fund Accounting: The Association uses fund accounting which requires that funds be classified separately for accounting and reporting purposes. Financial resources are classified in the following funds established according to their nature and purpose:
- Operating Fund - Used to account for financial resources available for the general operations of the Association.
- Replacement Fund - Used to accumulate financial resources designated for future major repairs and replacements.
- (c) Capitalization and Depreciation Policy: Real property contributed by the developer as well as replacements and improvements are generally not capitalized since the Association's governing documents impose restrictions on its disposition. Significant personal property assets, if any, are generally capitalized at cost and depreciated over its estimated useful life using the straight-line method of depreciation.
- (d) Cash Equivalents and Investments: Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Investments consist primarily of certificates of deposit and other securities with original maturities over 90 days. Investments are considered to be held to maturity which range from October 2023 to May 2027. Cash equivalents and investments are stated at cost.
- (e) Investment Income: Investment income consists primarily of interest and dividends earned on cash, cash equivalents and investment accounts, and is recognized when earned. The Association's policy is to account for fund expenditures using fund investment income before fund assessment income.
- (f) Estimates: Financial statements prepared in conformity with generally accepted accounting principles require the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (g) Subsequent Events: The Association has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 24, 2023, the date the financial statements were available to be issued.

**MOUNTAIN VIEW COMMUNITY ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2023**

**NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements of common property components. Substantially all accumulated funds are held in separate accounts and are generally not available for normal operating purposes. For the year ended July 31, 2023, the budgeted member contribution to the replacement fund was \$97,560.

The Association's reserve funding policy was based on a study conducted in March 2023, by an independent analyst to estimate the remaining useful lives and costs of future major repairs and replacements of common property components. The study recommends a fully funded reserve balance of \$1,270,596. As of July 31, 2023, the actual available replacement fund balance was \$1,380,744. The study recommends an annual member contribution of \$98,635. The Association's 2023/2024 budget includes a member reserve contribution of \$107,808.

Funds are being accumulated in the replacement fund based on estimated future costs. Actual expenditures 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, the Association has the right to increase assessments, pass special assessments, or delay repairs and replacements until funds are available.

**NOTE 4 - INCOME TAXES**

For the year ended July 31, 2023, the Association qualified as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and California Revenue and Taxation Code Section 23701t. Under these Sections the Association is not taxed on net income related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes investment income and revenues received from nonmembers, is taxed at 30% by the federal government and 8.84% by the State of California.

The Association is required to evaluate tax positions taken and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Association has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's tax returns are subject to examination by the Internal Revenue Service for three years after they are filed, and by the California Franchise Tax Board for four years after they are filed.

**NOTE 5 - MEMBER ASSESSMENTS**

Association members are subject to paying monthly assessments to fund the Association's operating activities 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 the funds are expended for their designated purpose. The annual budget and member assessments are determined by the Board of Directors. The Association retains excess funds at the end of the year, if any, for use in future periods.



**MOUNTAIN VIEW COMMUNITY ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JULY 31, 2023**

**NOTE 6 - ASSESSMENTS RECEIVABLE**

Assessments receivable represent assessments and other fees due from members and are stated at the amounts expected to be collected. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$26,908 and \$27,109, respectively.

The Association records an allowance for doubtful accounts as an estimate of the amount of accounts receivable that may eventually be uncollectible. Assessments and other fees that cannot be collected with certainty are generally charged against the respective revenue if they apply to the current year, or bad debt expense if they apply to a prior year. The allowance was computed by adding all receivable balances older than 90 days.

**NOTE 7 - PREPAID/DEFERRED ASSESSMENTS**

The Association recognizes revenue from members as the related performance obligations are satisfied. Prepaid/deferred assessments are recorded when the Association receives payment in advance of the satisfaction of performance obligations. The total column balances of prepaid/deferred assessments as of the beginning and end of the year are \$1,303,058 and \$1,399,286, respectively.

**NOTE 8 - CONTINGENCY**

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen that may adversely affect the Association. However, the financial impact, if any, cannot be reasonably estimated at this time.

**MOUNTAIN VIEW COMMUNITY ASSOCIATION**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
**AS OF JULY 31, 2023**  
**(UNAUDITED)**

A study was conducted in March 2023, by an independent analyst to estimate the remaining useful lives and the repair and replacement costs of common property components. The study was based on information provided by management, the Board of Directors, and Association vendors, as well as the knowledge and experience of the analyst. The study preparer may also use published manuals such as construction estimators, appraisal handbooks and valuation guides to estimate costs and remaining useful lives. The estimated costs were based on current estimated repair and replacement costs at the time of the study. Funding requirements consider an inflation rate of 3%, scheduled annual contribution increase of 3%, and an investment rate of 1.5% on accumulated replacement funds. The study recommends a fully funded reserve balance of \$1,270,596. As of July 31, 2023, the actual available replacement fund balance was \$1,380,744. The study recommends an annual member contribution of \$98,635. The Association's 2023/2024 budget includes a member reserve contribution of \$107,808.

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

Common Property Components	Estimated Remaining Useful Lives (Years)	Estimated Repair and Replacement Costs
Streets & Drives	2 - 8	\$ 812,564
Lighting	2 - 13	115,500
Grounds	1 - 14	197,665
Landscape	1 - 2	112,500
Fencing	5 - 7	143,083
Buildings	1 - 14	111,395
Painting	1 - 9	90,284
Roofs	2	19,231
Pools & Spas	1 - 25	171,472
Total		<u>\$ 1,773,694</u>



## Annual Homeowner Disclosure

Civil Code §4041 requires owners, on an annual basis, to provide notice to their association of four pieces of information:

- 1) Mailing address to receive notices from the Association (if different than Property Address)
- 2) Secondary address (if any) to receive notices from the Association
- 3) Name and address of Legal Representative (if any), including any person with power of attorney or other person who can be contacted in the event of the owner's extended absence
- 4) Status of Property (Owner-Occupied, Rented, Vacant or Undeveloped Land)

Please provide the information listed above by visiting your association's Community Website through FirstService Residential at <http://mountainviewhoa.connectresident.com> under the "My Account" section by: **December 15, 2023**. Please note that this website differs from the [www.mountainviewhoa.org](http://www.mountainviewhoa.org) website. Both are for use by Mountain View Members, but offer different features.

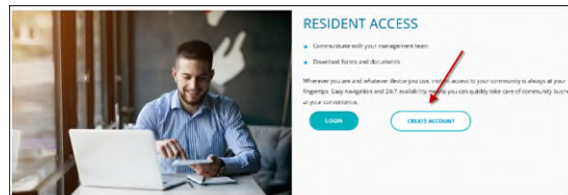
Your responses to the questions above will dictate your proper receipt of important Association information. Please note that if the information above is not provided, the last address provided in writing by the owner, or if none, the property address shall be deemed the address to which notices are to be delivered. The Association thanks you for your cooperation as they seek to comply with this legislation.

---

### Registering for the Community Website

If you have not registered for your community's website, please complete the following steps:

- Navigate to <http://mountainviewhoa.connectresident.com>
- Click CREATE ACCOUNT on the landing page of the webpage or "Create Account" via the Connect Resident app



- A verification code will be sent via email, which will expire within **10 minutes**; this 2-factor authentication method ensures the highest levels in security!
- After verifying your email, create a secure password
- Login using these newly created credentials
- Read the Terms and Conditions and select the check box if you agree
- Complete the registration by either entering the Property Address or Account Number (listed as "Customer ID" on the Assessment Statement)
- Once you are registered, the Community Website will allow you to opt-in to receive association documents electronically and opt-out of the association membership list, if preferred.

**Need Assistance?** Contact the Customer Care Center for fast, live support 24/7 at 1-800-428-5588.