

TREVI VILLA HOMEOWNERS ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Members
Trevi Villa Homeowners Association

I have reviewed the accompanying balance sheet of Trevi Villa Homeowners Association as of December 31, 2013, and the related statements of revenues, expenses, and changes in fund balances and of cash flows for the year then ended. 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 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

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 conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 9 be presented to supplement the basic financial statements. Such information, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion or provide any assurance on it.

La Mesa, California
March 20, 2014


Gregory V. Villard
Certified Public Accountant

TREVI VILLA HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2013

<u>ASSETS</u>	Operating Fund	Replacement Fund	Total
Cash & Cash Equivalents	\$ 11,213	\$ 75,994	\$ 87,207
Certificates of Deposit	-	120,000	120,000
Assessments Receivable	13,730	-	13,730
Prepaid Income Taxes	44	-	44
Total Assets	<u>\$ 24,987</u>	<u>\$ 195,994</u>	<u>\$ 220,981</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 5,301	\$ -	\$ 5,301
Prepaid Assessments	3,615	-	3,615
Total Liabilities	<u>8,916</u>	<u>-</u>	<u>8,916</u>
<u>FUND BALANCES</u>	<u>16,071</u>	<u>195,994</u>	<u>212,065</u>
Total Liabilities and Fund Balances	<u>\$ 24,987</u>	<u>\$ 195,994</u>	<u>\$ 220,981</u>

See accompanying notes and independent accountant's review report.

TREVI VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES & CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>REVENUES</u>	Operating Fund	Replacement Fund	Total
Regular Assessments	\$ 97,521	\$ 40,200	\$ 137,721
Interest	-	818	818
Other Member Charges	4,103	-	4,103
Total Revenues	101,624	41,018	142,642
<u>EXPENSES</u>			
Maintenance			
Pest Control	810	-	810
Janitorial Services	7,453	-	7,453
Fountain Maintenance	950	-	950
Entry Gates	672	-	672
Landscaping Maintenance	5,074	-	5,074
Fire Prevention	1,170	-	1,170
Water Intrusion Repairs	13,739	-	13,739
Area Repairs & Supplies	14,178	-	14,178
Elevator Maintenance	1,420	-	1,420
Plumbing Repairs	6,314	-	6,314
Total Maintenance	51,780	-	51,780
Utilities			
Electricity	7,530	-	7,530
Water & Sewer	12,150	-	12,150
Trash Removal	2,798	-	2,798
Total Utilities	22,478	-	22,478
General and Administrative			
Legal/Review/Tax Preparation	7,825	-	7,825
Management & Accounting	8,760	-	8,760
Insurance	8,027	-	8,027
Office & Administrative	4,069	-	4,069
Income Taxes	6	-	6
License and Permits	118	-	118
Telephone	3,577	-	3,577
Total Administrative	32,382	-	32,382
Major Repair and Replacements	-	10,970	10,970
Total Expenses	106,640	10,970	117,610
Excess (Deficiency) of Revenues over Expenses	(5,016)	30,048	25,032
Beginning Fund Balances	25,207	161,826	187,033
Interfund Transfers (Net)	(4,120)	4,120	-
Ending Fund Balances	\$ 16,071	\$ 195,994	\$ 212,065

See accompanying notes and independent accountant's review report.

TREVI VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activity			
Excess (Deficiency) of Revenues over Expenses	\$ (5,016)	\$ 30,048	\$ 25,032
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash (Used) Provided by Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	(2,174)	-	(2,174)
Prepaid Income Taxes	6	-	6
Interest Receivable	-	89	89
Increase (Decrease) in:			
Accounts Payable	(2,718)	-	(2,718)
Prepaid Assessments	(660)	-	(660)
Net Cash Provided (Used) by Operating Activities	(10,562)	30,137	19,575
Net Increase(Decrease) in Cash	(10,562)	30,137	19,575
Cash at Beginning of Year	25,895	161,737	187,632
Interfund Transfers (Net)	(4,120)	4,120	-
Cash at End of Year	\$ 11,213	\$ 195,994	\$ 207,207

See accompanying notes and independent accountant's review report.

TREVI VILLA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. ORGANIZATION

Trevi Villa Homeowners Association is a common interest realty association that was incorporated on May 1, 2003, 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 34 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 cash 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 owned by individual unit owners in common and related improvements made by the Association to such property are not capitalized in the financial statements.

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 straight-line method of depreciation.

TREVI VILLA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Statement of Cash Flows

According to SFAS No. 95 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.

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

The Association may elect to be taxed as a regular corporation or a homeowners association. For the year ended December 31, 2013, 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. California income tax expense for the year was \$6. As of December 31, 2013, the Association has prepaid \$44 in California income taxes. 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. 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.

NOTE 4. HOMEOWNER ASSESSMENTS

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. Any excess assessments at the year-end are retained by the Association for use in the succeeding years.

TREVI VILLA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 November 2012 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 updated study.

The Association is funding 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 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 represent fees due from unit owners. The Association's policy is to place liens on the properties of owners whose assessments are in arrears and retain legal counsel if necessary to collect delinquent assessments. As of December 31, 2013, there are \$13,730 in assessments and charges due from homeowners and \$3,615 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.

TREVI VILLA HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Fair values of the Association's financial instruments at December 31, 2013 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	\$ 87,207	\$ 87,207
Certificates of Deposit	120,000	120,000

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 March 20, 2014, the date that the financial statements were available to be issued.

TREVI VILLA HOMEOWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2013
 (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 January 1, 2013. The estimates were based on information provided by the Board of Directors and property manager and on site inspection by the consultant. Replacement costs were based on the estimated costs to repair or replace the common property components at the time of the study 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 replacements.

The following table 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>Components of Fund Balance at December 31, 2013</u>
Roofing	8 to 24	\$ 96,982	\$ 59,068
Painting & Sealing	0 to 6	55,071	33,541
Fencing/Gates/Rails/Doors	11 to 19	25,124	15,302
Mechanical Equipment	5 to 8	7,210	4,391
Lighting	7 to 11	23,448	14,281
Elevator	2	73,067	44,502
Miscellaneous	2 to 19	40,897	24,909
Total		<u>\$ 321,799</u>	<u>\$ 195,994</u>

According to the study, the annual replacement funding requirement and accumulated replacement funding requirement are \$63,324 and \$186,897, respectively. The study determined the funding program to be 86% funded as of January 1, 2013.

See Independent Accountant's Review Report