

WILDWOOD HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2018

WILDWOOD HOMEOWNERS ASSOCIATION

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HALEY SHAW & BUTIKOFER, LLP

Certified Public Accountants

Dan Haley • John Shaw • Paul Butikofer

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Wildwood Homeowners Association

We have reviewed the accompanying financial statements of Wildwood Homeowners Association, which comprise the balance sheet as of December 31, 2018, 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, 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.

Accountants' Responsibility

Our 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 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.

Accountants' Conclusion on the Financial Statements

Based on our review, 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.

To the Board of Directors of Wildwood Homeowners Association
April 3, 2019
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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 on page 10 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, 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 not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information in the Schedule of Operating Fund Revenues and Expenses – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information (except for the budget information, which was compiled without audit or review from information that is the presentation of management, on which we do not express an opinion or any other form of assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to it.

Haley Shaw & Butikofer, LLP

HALEY SHAW & BUTIKOFER, LLP
Roseville, California

April 3, 2019

**WILDWOOD HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,013	\$ 401	\$ 1,414
Assessments receivable, less bad debt allowance of \$140,926	39,927		39,927
Other receivables			-
Prepaid insurance	<u>3,444</u>		<u>3,444</u>
Total assets	<u>\$ 44,384</u>	<u>\$ 401</u>	<u>\$ 44,785</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 71,083	\$	\$ 71,083
Assessments paid in advance	22,979		22,979
Deposits liability	<u>2,810</u>		<u>2,810</u>
Total liabilities	96,872	-	96,872
Fund balance (deficit)	<u>(52,488)</u>	<u>401</u>	<u>(52,087)</u>
Total liabilities and fund balance	<u>\$ 44,384</u>	<u>\$ 401</u>	<u>\$ 44,785</u>

See accompanying notes and independent accountants' review report.

**WILDWOOD HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Total
REVENUES			
Members' assessments	\$ 420,960	\$ 36,000	\$ 456,960
Other income	1,981		1,981
Late fees and penalties	1,418		1,418
Interest income	1,363	1	1,364
	<u>425,722</u>	<u>36,001</u>	<u>461,723</u>
EXPENSES			
Administrative	48,643		48,643
Bad debt	42,310		42,310
Insurance	36,491		36,491
Landscape maintenance	61,298		61,298
Legal and professional	7,450		7,450
Onsite management	78,350		78,350
Pool maintenance	10,900		10,900
Repairs and maintenance	32,425	92,258	124,683
Security	38,035		38,035
Utilities	28,094		28,094
	<u>383,996</u>	<u>92,258</u>	<u>476,254</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	41,726	(56,257)	(14,531)
TRANSFER BETWEEN FUNDS	(6,558)	6,558	
BEGINNING FUND BALANCE (DEFICIT)	<u>(87,656)</u>	<u>50,100</u>	<u>(37,556)</u>
ENDING FUND BALANCE (DEFICIT)	<u>\$ (52,488)</u>	<u>\$ 401</u>	<u>\$ (52,087)</u>

See accompanying notes and independent accountants' review report.

**WILDWOOD HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses	\$ 41,726	\$ (56,257)	\$ (14,531)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Prepaid insurance	83		83
Assessments receivable	(2,513)		(2,513)
Increase (decrease) in:			
Accounts payable	(3,400)		(3,400)
Assessments paid in advance	7,775		7,775
Deposits liability	2,810		2,810
Net cash provided (used) by operating activities	<u>46,481</u>	<u>(56,257)</u>	<u>(9,776)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfer between funds	(6,558)	6,558	
Unfunded replacement reserve	(42,499)	42,499	-
Net cash provided (used) by financing activities	<u>(49,057)</u>	<u>49,057</u>	<u>-</u>
NET DECREASE IN CASH	(2,576)	(7,200)	(9,776)
CASH AT BEGINNING OF YEAR	<u>3,589</u>	<u>7,601</u>	<u>11,190</u>
CASH AT END OF YEAR	<u>\$ 1,013</u>	<u>\$ 401</u>	<u>\$ 1,414</u>
SUPPLEMENTARY DISCLOSURE			
Income taxes paid			<u>\$ -</u>
Interest paid			<u>\$ -</u>

See accompanying notes and independent accountants' review report.

**WILDWOOD HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Wildwood Homeowners Association (the Association) is a nonprofit mutual benefit corporation incorporated in January 1979, under the Nonprofit Mutual Benefit Corporation Law of the State of California. The specific and primary purpose for which the Association was formed is to repair, maintain, and manage common areas, enforce the rules and regulations adopted by the Board of Directors from time to time, and discharge such other lawful duties and responsibilities required pursuant to the Corporation's Bylaws and the Declaration of Covenants, Conditions, and Restrictions. The Association is supported by monthly assessments to its 137 residential units located in Sacramento County, California.

Member 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. Assessments receivable at the balance sheet date represent assessments due from unit owners. The Association's policy is to place liens on the properties of homeowners whose assessments are sixty days or more delinquent. The Association has determined that \$140,926 of assessments receivable should be considered bad debt allowance and considers the balance of assessments receivable at December 31, 2018, to be fully collectible. Any excess assessments at year end are retained by the Association for use in future years.

Replacement Fund

The Association has elected to set aside funds for future capital expenditures. Accumulated funds, which aggregate approximately \$401 at December 31, 2018, are held in separate accounts and are generally not available for operating purposes. The annual provision to the fund is determined by the Board of Directors after its consideration of a study of the reserve account requirements. The Board may estimate the total annual contribution necessary each year so as to accumulate funds in order to repair, replace, restore, or maintain its capital assets at the end of their useful life. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts designated for the future repair and replacements may not be adequate to meet future needs.

Unless the governing documents impose more stringent standards, the California Civil Code limits the Board of Directors in their use of the replacement fund. The Board of Directors shall not expend funds designated as reserve funds for any purpose other than to repair, replace, restore, or maintain major components that the Association is obligated by the establishment of the reserve fund. However, such accumulated funds may only be temporarily transferred to the Association's operating fund as specified in the Civil Code. Any funds so transferred must thereafter be restored as reserve funds.

According to the Civil Code, the Board of Directors may, unless the governing documents impose more stringent standards, without approval of owners, impose the regular assessment up to 20% greater than the preceding year's regular assessment and impose the special assessment up to 5% greater than the preceding year's budgeted gross expenses.

WILDWOOD HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Replacement Fund (Continued)

Further, for special circumstances, the Association may impose assessments without limit for emergency situations.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. The Association is taxed on its nonexempt function income, such as interest earnings, Exempt function income, which consists primarily of member assessments, is not taxable.

The Association's income tax returns are subject to examination, generally three years for federal and four years for state, after they are filed. There were no penalties or interest related to the current year federal and state tax returns. There were no federal or state taxes due for the year ended December 31, 2018.

Cash and Cash Equivalents

The Association considers all short term investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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.

WILDWOOD HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capitalization Policy and Depreciation

In accordance with the Association's capitalization policy, property and equipment acquired to which the Association has normal ownership rights, will be capitalized at cost and depreciated over its estimated useful life using the straight-line method.

Common area property and equipment contributed to the Association by the project developer has not been capitalized on the Association's financial statements since they are owned by the lot owners in common rather than the Association.

NOTE 2 – FUND BALANCE

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Association as a going concern. At December 31, 2018, the Association liabilities have exceeded assets leaving the fund balance at a deficit of \$52,087. Furthermore, the reserve for replacement fund is not being funded according to budgets and have not provided for future repairs and replacements. In view of these matters, the accompanying operating fund and replacement fund account balances are dependent upon continued operations of the Association, which is in turn is dependent upon the Association's ability to provide revenues to fund operating costs and reserve for replacement contributions for future replacement expenses. Management has represented that the Association has taken steps to provide for future operations by increasing member dues, potential special assessments, more aggressive collection actions and tighter controls on expenses. The Association believes that the actions being taken to provide funding for the operating fund and reserve for replacement fund provide the opportunity to continue as a going concern.

NOTE 3 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 3, 2019, the date that the financial statements were available to be issued.

See independent accountants' review report.

SUPPLEMENTARY INFORMATION

**WILDWOOD HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

The Association's Board of Directors conducted a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from an independent consultant who inspected the property. 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.

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2018 Fully Funded Balance</i>
01000 - Paving	170,509	5-25	1-12	131,028
02000 - Concrete	74,667	5-50	1-11	58,557
03000 - Painting: Exterior	258,020	4-5	1-3	171,584
04000 - Structural Repairs	284,670	1-30	0-15	147,498
05000 - Roofing	678,924	1-22	1-13	520,467
08000 - Rehab	5,500	10-10	1-1	4,950
11000 - Gate Equipment	26,745	8-30	1-19	17,963
12000 - Pool	15,750	5-12	1-1	14,058
18000 - Landscaping	20,530	1-20	1-2	17,215
19000 - Fencing	44,350	5-30	1-16	29,913
20000 - Lighting	6,650	5-5	3-3	2,660
21000 - Signage	2,500	10-10	9-9	250
24600 - Safety / Access	6,050	20-20	18-18	605
30000 - Miscellaneous	16,000	20-20	11-11	7,200
Totals	\$1,610,864			\$1,123,949

Total reserve funds at December 31, 2018

\$ 401

See independent accountants' review report.

**WILDWOOD HOMEOWNERS ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES
AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget	Actual
REVENUES		
Members' assessments	\$ 456,960	\$ 456,960
Other income		1,981
Late fees and penalties	45,696	1,418
Interest income		1,363
	502,656	461,722
EXPENSES		
Administrative	48,671	48,643
Bad Debt	10,000	42,310
Insurance	38,370	36,491
Landscape maintenance	86,680	61,298
Legal and professional	21,690	7,450
Onsite management	90,000	78,350
Pool maintenance	9,700	10,900
Repairs and maintenance	97,755	32,425
Security	44,540	38,035
Utilities	45,000	28,094
	492,406	383,996
EXCESS OF REVENUES OF EXPENSES	10,250	77,726
LESS REPLACEMENT PROVISION	36,000	36,000
EXCESS (DEFICIT) OPERATING REVENUES AND EXPENSES	\$ (25,750)	\$ 41,726

See independent accountants' review report.