

**1115 CORDOVA HOMEOWNERS' ASSOCIATION  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2022**

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**TO THE BOARD OF DIRECTORS  
1115 CORDOVA HOMEOWNERS' ASSOCIATION  
PASADENA, CALIFORNIA**

We have reviewed the accompanying financial statements of 1115 Cordova Homeowners' Association which comprise the balance sheet as of December 31, 2022, 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 as 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 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. We are required to be independent of 1115 Cordova Homeowners' Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

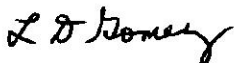
**INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
1115 CORDOVA HOMEOWNERS' ASSOCIATION  
PAGE 2**

**Accountant's 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.

**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. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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 Information is the responsibility of management. We have not audited or reviewed the required supplementary information, and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it.



**L. David Gomez, Sr., CPA  
Pasadena, CA  
September 8, 2023**

**CORDOVA HOMEOWNERS' ASSOCIATION  
BALANCE SHEET  
December 31, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	70,341	194,669	265,009
Accounts Receivable	3,219	-	3,219
Inter-Fund Receivable (Payable)	-	-	-
Prepaid Expenses	<u>1,952</u>	<u>-</u>	<u>1,952</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 75,512</u></b>	<b><u>\$ 194,669</u></b>	<b><u>\$ 270,180</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 23,371	-	23,371
Prepaid Assessments	<u>10,513</u>	<u>-</u>	<u>10,513</u>
<b>TOTAL LIABILITIES</b>	<b><u>33,884</u></b>	<b><u>-</u></b>	<b><u>33,884</u></b>
<b>FUND BALANCE</b>	<b><u>\$ 41,628</u></b>	<b><u>\$ 194,669</u></b>	<b><u>\$ 236,296</u></b>
<b>TOTAL LIAB. &amp; FUND BALANCE</b>	<b><u>\$ 75,512</u></b>	<b><u>\$ 194,669</u></b>	<b><u>\$ 270,180</u></b>

**1115 CORDOVA HOMEOWNERS' ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**  
**THE YEAR ENDED DECEMBER 31, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Regular Assessments	\$ 267,180	\$ 89,040	\$356,220
Late Fees	642	-	642
Laundry Income	6,043	-	\$ 6,043
Miscellaneous	2,283	-	\$ 2,283
Insurance Claim	-	-	-
Special Assessment	-	108,300	\$108,300
Moving Fees/Key Fees	2,500	-	\$ 2,500
Interest Income	42	129	171
<b>TOTAL REVENUES</b>	<u>278,691</u>	<u>197,469</u>	<u>476,159</u>
<b><u>EXPENSES</u></b>			
Insurance	29,991	-	29,991
Landscaping	7,916	-	7,916
Janitorial/Cleaning	24,262	-	24,262
General Repairs	9,082	-	9,082
Decks/Railings/Balconies	22,602	87,117	109,719
Carpentry/Stucco/Painting	-	-	-
Fencing Gates	583	-	583
Retrofit project	-	215,917	215,917
Restoration Services	15,496	-	15,496
Electrical/Lighting	600	-	600
Roofing	4,325	-	4,325
Fire Protection	6,994	-	6,994
Elevator	8,234	-	8,234
Plumbing	18,011	-	18,011
Pest Control	5,395	-	5,395
Pool Maint./Repairs	6,542	-	6,542
Management	31,445	-	31,445
Office/Admin. Expenses	4,926	-	4,926
Taxes/Licenses/Permits	401	-	401
Reserve Study	650	-	650
Legal Fees	-	-	-
Accounting	1,800	-	1,800
Cable/Entry Phone	2,916	-	2,916
Electricity	15,526	-	15,526
Natural Gas	11,663	-	11,663
Water/Sewer	18,848	-	18,848
Waste Removal	23,257	-	23,257
<b>TOTAL EXPENSES</b>	<u>271,464</u>	<u>303,034</u>	<u>574,498</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	7,227	(105,566)	(98,339)
<b>FUND BALANCE DEC. 31, 2021</b>	<u>34,401</u>	<u>300,235</u>	<u>334,636</u>
<b>FUND BALANCE DEC. 31, 2022</b>	<u>\$ 41,628</u>	<u>\$ 194,669</u>	<u>\$236,297</u>

**1115 CORDOVA HOMEOWNERS' ASSOCIATION  
STATEMENT OF CASH FLOWS  
THE YEAR ENDED DECEMBER 31, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (Deficiency) of Revenue over Expenses	\$ 7,227	\$ (105,566)	\$ (98,339)
Adjustments to Reconcile:			
Depreciation	-	-	-
Increase in Accounts Receivable	(1,667)	-	(1,667)
Decrease in Accounts Receivable	-	3,107	3,107
Decrease in Prepaid Expenses	341	-	341
Increase in Accounts Payable	16,996	-	16,996
Increase in Prepaid Assessments	-	-	-
Decrease in Prepaid Assessments	(8,651)	(17,315)	(25,966)
Increase in Inter-Fund Receivable	-	-	-
Increase in Inter-Fund Payable	-	-	-
	<u>14,246</u>	<u>(119,774)</u>	<u>(105,528)</u>
<b>NET CASH PROVIDED (USED) BY OPER. ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in Inter-Fund Receivable	-	14,208	14,208
Decrease in Inter-Fund Payable	(14,208)	-	(14,208)
	<u>(14,208)</u>	<u>14,208</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY FIN. ACTIVITIES</b>			
CASH BALANCE BEGINNING OF YEAR	<u>70,303</u>	<u>300,235</u>	<u>370,538</u>
<b>CASH BALANCE END OF YEAR</b>	<u>\$ 70,341</u>	<u>\$ 194,669</u>	<u>\$ 265,010</u>

**1115 CORDOVA HOMEOWNERS' ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE A – NATURE OF ORGANIZATION**

1115 Cordova Homeowners' Association was incorporated in the state of California on July 14, 1980. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 69 residential units located in Pasadena, California.

**NOTE B – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 8, 2023, the date that the financial statements were available to be issued.

**NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Association's policy is to prepare its financial statements on the accrual basis of accounting consistent with generally accepted accounting principles. 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 designed for future major repairs and replacements.

**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. Accounts Receivable at December 31, 2022, represents regular and special assessments, late charges and moving fees due from owners. Prepaid Assessments at December 31, 2022, represents regular assessments paid in advance by owners before the due date of January 1, 2023.

**1115 CORDOVA HOMEOWNERS' ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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.

**Income Taxes**

For federal tax purposes, the Association qualifies as a tax-exempt homeowners' association under Section 528 of the Internal Revenue Code for the year ended December 31, 2022. Under that Section, exempt function income is exempt from taxation and the Association is taxed only on its non-exempt function income, less allowable deductions, resulting in zero federal tax liability for the year ended December 31, 2022.

For state tax purposes, the Association qualifies for exemption under Section 23701t of Revenue and Taxation Code. Accordingly, exempt function income is exempt from taxation and the Association is taxed only on its non-exempt function income, less allowable deductions, resulting in zero state tax liability for the year ended December 31, 2022.

**Property and Equipment**

Real property and common areas acquired from the developer and related improvements to such property are not capitalized on the Association's balance sheet because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property in excess of \$4,000 at cost and depreciates it using the straight-line method over estimated useful lives of six to twenty-five years.



1115 CORDOVA HOMEOWNERS' ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE D – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds of approx. \$200,000 at December 31, 2022, are held in separate accounts and are generally not available for operating purposes.

A reserve study was completed in October, 2021, to estimate the remaining useful lives and the replacement costs of the common property components. The Association's funding method for such major repairs and replacements is based on the estimated useful lives of the components and estimates of future 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, if amounts accumulated in the replacement fund are not adequate to meet future needs and additional funds are needed, the Association has the right, subject to CC&R requirements, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. See attached supplementary information attached.

**NOTE E – CASH AND CASH EQUIVALENTS**

The balance in the replacement fund at December 31, 2022, of \$194,670, includes business money market accounts totaling \$90,727 and four certificates of deposit totaling \$103,943, with terms of one year, maturing in March, June, September and December 2022.

**NOTE F – SPECIAL ASSESSMENT**

In May 2021, the Board of Directors approved an emergency special assessment to fund the upcoming earthquake retrofit project required by the City of Pasadena. The total special assessment is \$200,000 and is allocated according to the same ownership percentages used for dues allocation. All assessments have been paid in full between July 1, 2021, and ending June 1, 2022.

**SUPPLEMENTARY INFORMATION**

**1115 CORDOVA HOMEOWNERS' ASSOCIATION  
REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2022**

Association Reserves, Inc., completed a reserve study update October 19, 2021, for the calendar year 2022, to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on current estimated replacement costs, adjusted in future years by the assumed value of inflation. The study recommended regular monthly reserve funding contributions of \$14,008 from the operating fund for the year 2022. The actual reserve funding contributions from 2022 were \$9,025 per month. The study also recommended a special assessment of \$325,000 for the building up of reserves.

The attached schedules are taken from the study and provide reserve component list detail and income/expense detail showing anticipated replacement fund expenditures to the year 2024.