

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.
(A California Nonprofit Mutual Benefit Corporation)

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' REVIEW REPORT

AUGUST 31, 1990

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' REVIEW REPORT

AUGUST 31, 1990

CONTENTS

	<u>Page</u>
ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS: BALANCE SHEET	2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES	3
STATEMENT OF CHANGES IN FINANCIAL POSITION	4
NOTES TO FINANCIAL STATEMENTS	5 to 7

Bennett & Collins

Accountancy Corporation

333 Twin Dolphin Drive, Suite 775
Redwood City, California 94065
Tel (415) 593-4500 • Fax (415) 591-3683

To the Board of Directors
THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.
San Jose, California

We have reviewed the accompanying balance sheet of THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC. (a California Nonprofit Mutual Benefit Corporation) as of August 31, 1990 and the related statements of revenues, expenses and changes in fund balances and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in this report is the representation of the management of the The Glen of Pacific Grove Homeowners' Association, Inc.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with generally accepted accounting principles.

As described in Note 2 to the financial statements, the current replacement reserve funding program may not be adequate to meet future replacement needs. Accordingly, the Association has the right to increase assessments, pass special assessments, or delay replacement activity until funds are available.

Bennett & Collins

November 13, 1990
Redwood City, CA

THE GLEN OF PACIFIC GROVE HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
AUGUST 31, 1990

(See Accountants' Review Report)

ASSETS

OPERATING FUND ASSETS:

Cash		\$ 5,324
Assessments receivable		319
Prepaid insurance		2,046
Refundable income taxes		<u>329</u>

TOTAL OPERATING FUND ASSETS		8,018
-----------------------------	--	-------

RESTRICTED FUND ASSETS:

Cash		<u>59,176</u>
		\$ <u><u>67,194</u></u>

LIABILITIES AND FUND BALANCES

OPERATING FUND LIABILITIES:

Accounts payable		\$ 2,108
Assessments paid in advance		1,793
Other payables		<u>15</u>

TOTAL OPERATING FUND LIABILITIES		3,916
----------------------------------	--	-------

FUND BALANCES:

Operating Fund	\$ 4,102	
Restricted Fund	<u>59,176</u>	<u>63,278</u>
		\$ <u><u>67,194</u></u>

The accompanying notes are an integral part of this financial statement.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
 For the year ended August 31, 1990

(See Accountants' Review Report)

	OPERATING FUND	RESTRICTED FUND	TOTAL
REVENUES:			
Membership dues	\$ 38,238	\$ 61,122	\$ 99,360
Interest income	1,586	2,401	3,987
Settlement income		25,000	25,000
Other income	775		775
TOTAL REVENUES	40,599	88,523	129,122
EXPENSES:			
Management	4,730		4,730
Accounting	4,224		4,224
Insurance	9,565		9,565
Administration	1,496		1,496
Legal	852		852
Utilities	8,526		8,526
Landscaping	35,838		35,838
Building and grounds	5,115		5,115
Income tax	683		683
Reserve expenditures		67,080	67,080
TOTAL EXPENSES	71,029	67,080	138,109
Excess (deficit) of expenses over revenues	(30,430)	21,443	(8,987)
FUND BALANCES, September 1, 1989	34,532	37,733	72,265
FUND BALANCES, August 31, 1990	\$ 4,102	\$ 59,176	\$ 63,278

The accompanying notes are an integral
 part of this financial statement.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 For the year ended August 31, 1990

(See Accountants' Review Report)

	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>
Working Capital Provided By:		
Excess (deficit) of expenses over revenues	\$(<u>30,430</u>)	\$ <u>21,443</u>
Net increase (decrease) in Working Capital	\$(<u>30,430</u>)	\$ <u>21,443</u>

INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT

	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>
Cash	\$(32,062)	
Assessments receivable	(8)	\$ 21,443
Prepaid insurance	1,028	
Refundable income taxes	329	
Accounts payable	(831)	
Assessments paid in advance	430	
Other payables	40	
Income taxes payable	<u>644</u>	
Net increase (decrease) in Working Capital	\$(<u>30,430</u>)	\$ <u>21,443</u>

The accompanying notes are an integral
part of this financial statement.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 1990

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Glen of Pacific Grove Homeowners' Association, Inc. was formed December 1, 1982. Its primary purpose is to provide for the maintenance, preservation and architectural control of the grounds and common area of the 60 units in the Association.

Membership in the Association is mandatory for homeowners. Voting members of the Association consist of all owners, who are entitled to one vote for each unit owned.

Each member is obligated to pay annual assessments to the Association for amounts to be expended for the benefit of the residents and the maintenance of the common area. Annual assessments are payable to the Association in monthly installments and may be secured by a lien upon the property against which the assessment is made. In addition to regular annual assessments, special assessments may be levied for special purposes.

Accounting Basis

The Association maintains its records on the accrual basis of accounting and annually converts to the cash basis of accounting for Federal and state income tax purposes.

Collection Process

The Association's collection process for past due membership dues and assessments includes the levy of late charges, mailing delinquent dues reminder notices and sending itemized warning letters noting costs of collection and intent to process foreclosure. The judicial foreclosure process culminates with the sale of the property and a deficiency judgment against the property owner for the amount of delinquent dues and all related costs of collection. Assessment receivable amounted to \$319 at August 31, 1990.

Income Taxes

Income taxes are provided for in accordance with current regulations and case law pertaining to homeowners Associations. Under Section 528 of the Internal Revenue Code and California Revenue and Taxation Act Section 23701t, qualified homeowners associations may elect to be treated as tax-exempt organizations. Electing associations are generally taxed only on income from investments and business with nonmembers.

THE GL. OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 1990

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For Federal tax purposes, the election may be made or waived each year in which tax-exempt status, nonexempt income (such as interest) is subject to tax after deducting directly related expenses.

Interest Income

It is the Association's policy that interest earned on Restricted Fund savings accounts is restricted and remains in Restricted Funds when earned.

Restricted Fund for Future Replacements

The Association has established a funding program for the future replacement of common areas. Under this program, funds are deposited monthly to various restricted savings accounts to be used for the replacement and major repair of common areas.

NOTE 2 - RESTRICTED FUND FOR FUTURE REPLACEMENTS

The Restricted Fund for future replacements represents funds set aside for long-term maintenance within the development.

Changes in the Restricted Fund are as follows:

Balance, September 1, 1989	\$ 37,733
Net contributions	88,523
Reserve expenditures	(67,080)
Balance, August 31, 1990	\$ <u>59,176</u>

An independent study to determine the adequacy of the current funding program for the replacement and maintenance of Association common areas and capital improvements has not been conducted. Accordingly, the current program may not be sufficient to meet all future replacement and major maintenance costs. The Association has the right to increase monthly assessments, pass special assessments or delay replacement activity until funds are available.

NOTE 3 - MANAGEMENT AGREEMENT

The Association employs the service of an outside management company. Management fees were approximately \$7 per unit, per month.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 1989

NOTE 4 - INCOME TAXES

The provision for income taxes at August 31, 1990, was as follows:

Federal	\$ 361
California	<u>322</u>
	<u>\$ 683</u>