

The Glen of Pacific Grove Homeowners Association
c/o Regency Management Group
24571 Silver Cloud Court, Suite 101
Monterey, CA 93940
(831) 647-2442

April 18, 2018

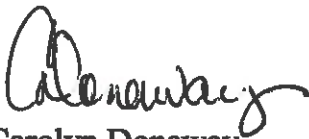
Dear The Glen of Pacific Grove Homeowner,

As required per Civil Code 5305, I have enclosed a copy of the 2017 reviewed financial statements which were prepared by Levy, Erlanger & Company Certified Public Accountants.

Please take a few moments to review the enclosed documents, and feel free to call me if you have any questions. Make sure to keep current copy of the Associations financial statements with your other Association related documents.

If you have questions or concerns, please feel free to contact Liane at the Regency office at (831) 647-2442 or via email at lcunningham@regencymg.com.

Cordially,



Carolyn Donaway
General Manager
Regency Management Group

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

YEARS ENDED DECEMBER 31, 2017 AND 2016

**LEVY, ERLANGER & COMPANY
Certified Public Accountants
San Francisco, California**

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Page(s)</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 - 2
BALANCE SHEETS	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES	4 - 5
STATEMENTS OF CASH FLOWS	6 - 7
NOTES TO FINANCIAL STATEMENTS	8 - 12
SUPPLEMENTARY INFORMATION	
Supplementary Information On Future Major Repairs And Replacements At December 31, 2017	13 - 14

LEVY, ERLANGER & COMPANY
Certified Public Accountants

290 King Street, Suite 12
San Francisco, CA 94107

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board Of Directors
The Glen Of Pacific Grove Homeowners' Association, Inc.
Pacific Grove, California

We have reviewed the accompanying financial statements of **The Glen Of Pacific Grove Homeowners' Association, Inc.** (the Association) which comprise the balance sheet as of December 31, 2017, 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. 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 the 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.

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.

**Board Of Directors
The Glen Of Pacific Grove Homeowners' Association, Inc.
Independent Accountant's Review Report (Continued)**

Prior Year Financial Statements

The 2016 financial statements of **The Glen Of Pacific Grove Homeowners' Association, Inc.** were reviewed by other accountants, whose report dated February 03, 2017, stated that, based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Future Major Repairs and Replacements

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

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. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed or compiled the required supplementary information, and do not express an opinion, a conclusion, nor provide any assurance on it.

Levy, Erlanger & Company

April 9, 2018

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

	2017			2016
	Operations Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 40,453	\$ 73,050	\$ 113,503	\$ 192,868
Investment in certificates of deposit (Note 2)		360,000	360,000	250,000
Assessments receivable (Note 2)	1,865		1,865	1,892
Interest receivable				896
Prepaid insurance	1,596		1,596	5,276
Prepaid income taxes		30	30	225
Other prepaid expenses				1,600
Total assets	\$ 43,914	\$ 433,080	\$ 476,994	\$ 452,757
LIABILITIES				
Accounts payable	\$ 3,160	\$ -	\$ 3,160	\$ 9,548
Assessments paid in advance	1,643		1,643	2,544
Income taxes payable		180	180	154
Due to (due from) other fund	(900)	900		
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	3,903	1,080	4,983	12,246
COMMITMENTS (NOTE 4)	-	-	-	-
FUND BALANCE (DEFICIT)	40,011	432,000	472,011	440,511
Total liabilities and fund balance	\$ 43,914	\$ 433,080	\$ 476,994	\$ 452,757

See independent accountant's review report and accompanying notes.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments	\$ 150,960	\$ 72,240	\$ 223,200	\$ 223,200
Interest Income (Note 2)		2,671	2,671	1,729
Late charges and other income	1,408		1,408	5,238
Total revenues	152,368	74,911	227,279	230,167
EXPENSES				
<u>Administration</u>				
Income tax provision (Note 2)	-	296	296	154
Insurance	24,310		24,310	22,498
Legal and accounting	1,935		1,935	
Management	20,075		20,075	19,200
Office, printing and postage	2,992		2,992	3,820
Reserve study		900	900	900
	49,312	1,196	50,508	46,572
<u>Maintenance and operations</u>				
Gate maintenance	1,011	-	1,011	813
Gutter and downspouts	4,588		4,588	
Lake maintenance	8,377		8,377	1,810
Landscape maintenance	48,841		48,841	44,923
Plumbing maintenance	1,448		1,448	
Tree maintenance	500		500	4,092
Other maintenance and operations	10,672		10,672	21,114
	75,437	-	75,437	72,752
<u>Utilities</u>				
Gas and electricity	5,989	-	5,989	5,205
Telephone	1,213		1,213	988
Water and sewer	14,046		14,046	12,570
	21,248	-	21,248	18,763

See independent accountant's review report and accompanying notes.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Major repairs and replacements</u>				
Landscaping, trees and irrigation	\$ -	\$ 8,740	\$ 8,740	\$ -
Lighting and electrical systems		3,986	3,986	
Dry rot repairs		2,660	2,660	
Retaining and other walls		6,104	6,104	
Sidewalks, paths and walkways		5,200	5,200	
Other major repairs and replacements		21,896	21,896	70,688
	-	48,586	48,586	70,688
Total expenses	145,997	49,782	195,779	208,775
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	6,371	25,129	31,500	21,392
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	(10,695)	10,695	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	44,335	396,176	440,511	419,119
FUND BALANCE (DEFICIT), END OF YEAR	\$ 40,011	\$ 432,000	\$ 472,011	\$ 440,511

See independent accountant's review report and accompanying notes.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016
	Operations Fund	Replacement Fund	Total Funds	Total Funds
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 6,371	\$ 25,129	\$ 31,500	\$ 21,392
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Decrease (increase) in assets:				
Assessments receivable	27	-	27	(592)
Interest receivable		896	896	(103)
Prepaid insurance	3,680		3,680	(2,084)
Prepaid income taxes		195	195	(130)
Other prepaid expenses	1,600		1,600	(1,600)
Increase (decrease) in liabilities:				
Accounts payable	(6,388)		(6,388)	(5,600)
Assessments paid in advance	(901)		(901)	(1,269)
Income taxes payable		26	26	36
Due to (due from) other fund	(829)	829		
Total adjustments	(2,811)	1,946	(865)	(11,342)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	3,560	27,075	30,635	10,050
INVESTING ACTIVITIES				
Net (purchase) sale of certificates of deposit	-	(110,000)	(110,000)	50,000
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	(110,000)	(110,000)	50,000

See independent accountant's review report and accompanying notes.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>			<u>2016</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 3,560	\$ (82,925)	\$ (79,365)	\$ 60,050
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	(10,695)	10,695	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>47,588</u>	<u>145,280</u>	<u>192,868</u>	<u>132,818</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 40,453</u>	<u>\$ 73,050</u>	<u>\$ 113,503</u>	<u>\$ 192,868</u>
<u>Supplemental Disclosures</u>				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ 248</u>

See independent accountant's review report and accompanying notes.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

1. THE ASSOCIATION

The Glen Of Pacific Grove Homeowners' Association, Inc. (the Association) is a common interest development located in Pacific Grove, California which consists of 60 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in June 1982 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to annual assessments, usually payable in equal monthly installments, to provide funds for operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board Of Directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

See Independent accountant's review report.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and cash equivalents. For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Concentrations of credit risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2017 totaled approximately \$-0-.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent accountant's review report.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes are paid on Income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at graduated rates from 15% to 39% on net nonmember income; in the latter case it is taxed on net nonexempt function income (which is generally similar to net nonmember income) at a flat 30% rate. California income taxes approximate 9% of taxable income.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds.

Investments consist of federally-insured certificates of deposit stated at cost which approximates market value.

Membership in the Association is mandatory by virtue of unit ownership.

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

See independent accountant's review report.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

See independent accountant's review report.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

4. COMMITMENTS

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

5. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 9, 2018, the date that the financial statements were available to be issued.

See independent accountant's review report.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(COMPILED WITHOUT AUDIT OR REVIEW)**

The following information on common area major components was compiled by Association Reserves of San Francisco, California as of July 2017 and has served as the basis for the current estimates of replacement reserve funding:

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Concrete And Repairs			
105 Concrete Surfaces - Repair	10	0	\$40,000
301 Asphalt - Resurface	30	25	\$180,000
302 Asphalt - Seal/Repair	5	3	\$10,000
303 Pole Lights - Replace	30	0	\$61,500
304 Wall Lights - Replace	20	24	\$19,100
400 Mailboxes - Replace	25	2	\$17,200
502 Chain Link Fence - Replace	30	0	\$14,500
503 Metal Fence - Replace	30	24	\$50,400
600 Metal Fence - Paint/Replace	10	0	\$7,400
702 Vehicle Gates - Replace	30	0	\$17,200
705 Equipment - Replace	15	0	\$1,400
706 Gate Operates - Replace	10	5	\$11,200
1001 Repack Device - Replace	20	2	\$4,400
1000 Tires - Removal & Replacement	0	0	\$50,000
1008 Lids - Design/Repair	7	4	\$4,200
1107 Metal Fences - Repair	5	4	\$4,200
1130 Exterior Surfaces - Repaint	10	7	\$161,000
1121 Exterior Surfaces - Repair	10	7	\$30,000
1500 Camp Air/Inch Roof - Replace	30	21	\$400,000
1910 Grilles/Downspouts - Replace (pl.1)	30	20	\$70,000
1911 Grilles/Downspouts - Replace (pl.2)	30	17	\$68,000
2003 Tarco Coat - Roll/Finish	10	5	\$2,500
1701 Canal Bridge - Replace	20	10	\$10,700
25 Total Planned Components			

See independent accountant's review report and accompanying notes.

THE GLEN OF PACIFIC GROVE HOMEOWNERS' ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2017
(COMPILED WITHOUT AUDIT OR REVIEW)**

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **after-tax interest rate** of **1%** on replacement fund cash balances and an annual **inflation rate** of **3%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2017 totaled **\$433,050**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$398,000**. The portion of **2018** regular **assessments** budgeted to be allocated to the replacement fund totals **\$72,240**.

See Independent accountant's review report and accompanying notes.