

**EASTVIEW P.H. II CORPORATION**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2022

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# *A M Owens, CPA*

*A Professional Corporation*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Eastview P.H. II Corporation

### **Opinion**

I have audited the accompanying financial statements of Eastview P.H. II Corporation, 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastview P.H. II Corporation as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Eastview P.H. II Corporation and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Report on Summarized Comparative Information**

I have previously audited the Eastview P.H. II Corporation's December 31, 2022 financial statements, and our report dated August 23, 2022, express an unmodified opinion on these financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Future Major Repairs and Replacements**

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. I have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 2 are adequate to meet such future costs because that determination is outside the scope of my audit. My opinion is not modified with respect to that matter.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastview P.H. II Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eastview P.H. II Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastview P.H. II Corporation's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Repairs and Replacements on page 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*A M Owens, CPA*

A M Owens, CPA  
A Professional Corporation

Lakeside, CA  
April 10, 2023

**EASTVIEW P.H. II CORPORATION**  
 Balance Sheet  
 As of December 31, 2022  
 With Comparative Totals as of December 31, 2021

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Cash - operating	\$ 76,380	\$ 0	\$ 76,380	\$ 172,431
- savings	0	46,991	46,991	0
Investments	0	48,984	48,984	0
Accounts receivable	3,820	0	3,820	5,900
Prepaid expenses	5,190	0	5,190	4,057
Total Assets	\$ 85,390	\$ 95,975	\$ 181,365	\$ 182,388
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Current Liabilities</u></b>				
Accrued expenses	10,241	0	10,241	1,860
Prepaid dues	19,358	0	19,358	28,255
Contract liabilities				
- prepaid assessments	0	88,343	88,343	88,343
Total Liabilities	29,599	88,343	117,942	118,458
 <b><u>Fund Balance</u></b>				
Operating fund	55,791	0	55,791	63,930
Replacement fund	0	7,632	7,632	0
Total Fund Balance	55,791	7,632	63,423	63,930
Total Liabilities and Fund Balance	\$ 85,390	\$ 95,975	\$ 181,365	\$ 182,388

See the Accompanying Notes to the Financial Statements.

**EASTVIEW P.H. II CORPORATION**  
Statement of Revenue, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2022  
With Comparative Totals as of December 31, 2021

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>2022</u>	<u>2021</u>
<u>Revenue</u>				
Assessments	\$ 473,400	\$ 21,600	\$ 495,000	\$ 495,000
Interest	0	348	348	458
Other	25	( 1 )	24	885
Total Revenue	473,425	21,947	495,372	496,343
<u>Expenditures</u>				
Water	185,290	0	185,290	184,909
Electric	755	0	755	845
Landscape maint/supplies	270,567	0	270,567	269,036
Miscellaneous/supplies	1,634	0	1,634	1,102
Management	14,390	0	14,390	10,950
Secretarial	0	0	0	4,739
Professional fees	2,825	0	2,825	2,070
Insurance	6,210	0	6,210	5,678
Postage and printing	3,371	0	3,371	3,310
Taxes	0	0	0	35
Reserve expenditures-landscape	0	3,540	3,540	20,052
-hardscape	0	3,955	3,955	5,007
-painting	0	800	800	0
-mailboxes	0	2,542	2,542	0
-irrigation	0	0	0	0
Total Expenditures	485,042	10,837	495,879	507,733
Excess (Deficiency) of Revenue				
Over Expenditures	( 11,617 )	11,110	( 507 )	( 11,390 )
Beginning Fund Balance	63,930	0	63,930	75,320
Transfers To/From Reserves (Net)	3,478	( 3,478 )	0	0
Ending Fund Balance	\$ 55,791	\$ 7,632	\$ 63,423	\$ 63,930

See the Accompanying Notes to the Financial Statements.

**EASTVIEW P.H. II CORPORATION**

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

For the Year Ended December 31, 2022

With Comparative Totals as of December 31, 2021

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>2022</u>	<u>2021</u>
Cash Flows From				
Operating Activities				
Excess (deficiency) of				
revenues over				
expenditures	\$ ( 11,617 )	\$ 11,110	\$ ( 507 )	\$ ( 11,390 )
Adjustments to reconcile				
net income to net cash				
provided by operating				
activities:				
Accounts receivable	2,080	0	2,080	( 5,225 )
Prepaid expenses	( 1,133 )	0	( 1,133 )	( 407 )
Accrued expenses	8,381	0	8,381	( 1,258 )
Prepaid assessments	( 8,897 )	0	( 8,897 )	( 6,877 )
Contract liabilities	0	0	0	
Transfers to/from reserves	3,478	( 3,478 )	0	0
Total Adjustments	3,909	( 3,478 )	431	( 13,767 )
Net Cash Provided (Used) By				
Operating Activities	( 7,708 )	7,632	( 76 )	( 25,157 )
Cash Flows From Investing				
Purchase of investments	0	( 48,984 )	( 489,884 )	( 0 )
Net Cash Used for Investing	0	( 48,984 )	( 48,984 )	0
Net Increase (Decrease) in				
Cash During the Year	( 41,352 )	0	( 41,352 )	0
Cash and Cash Equivalents at				
Beginning of Year	84,088	88,343	172,431	197,588
Cash and Cash Equivalents at				
End of Year	\$ 76,380	\$ 46,991	\$ 123,371	\$ 172,431
Supplementary Information:				
Taxes Paid			\$ 0	\$ 0
Interest Paid			\$ 0	\$ 0

See the Accompanying Notes to the Financial Statements.



## EASTVIEW P.H. II CORPORATION

Notes to Financial Statement

December 31, 2022

### Note 1 - Organization and Accounting Policies

The Eastview P.H. II Corporation was incorporated in January of 1986 and began Operations in September of that year. The Association was not organized for profit, but to manage and maintain the commonly owned areas of the housing development consisting of 150 units located in San Diego, California.

#### 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.

#### Member Assessment

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. No allowance for uncollectible accounts is deemed necessary. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$5,900 and \$3,820, respectively.

# EASTVIEW P.H. II CORPORATION

## Notes to Financial Statement

(continued)

December 31, 2022

### Note 1 - Organization and Accounting Policies (continued)

#### Interest Income

Interest Income is recognized when earned and allocated to the operating and replacement funds in proportion to the interest bearing deposits of each fund. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

#### Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Associations financial statements because those properties are owned by the individual unit owners in common and not by the Association.

#### Contract Liabilities (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$88,343 and \$88,343, respectively.

#### Income Taxes

Homeowners' associations may be taxed either as a homeowners association or as regular corporations. For the year ended December 31, 2022 the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. Income tax liability was computed as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Income tax liability	\$ 0	\$ 0	\$ 0
Estimated tax paid	0	0	0
Income tax prepaid	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Tax years 2019-2021 are open to examinations by taxing authorities.

## EASTVIEW P.H. II CORPORATION

Notes to Financial Statement

(continued)

December 31, 2022

### Note 1 - Organization and Accounting Policies (continued)

#### 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.

#### Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

#### Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, prepaid expenses, accounts payable, and deferred revenue approximate fair value due to the short maturity of these instruments.

The Association measures fair value at the process that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market and participants at the measure date. The guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values.

A summary of the fair value hierarchy under the authoritative guidance is described in Note 5.

### Note 2 – Reserves

Homeowners associations generally reserve a portion of monthly assessments to fund major repairs and/or replacements of commonly owned property. These funds are being accumulated based on estimates of future needs. Actual expenditures may vary from the estimated future expenditures and variations may be material. Therefore, the amounts accumulated in the Replacement Fund may not be adequate to meet all future needs. Potential costs to cover damages due to storm, fire, flood, earthquake, etc. generally are not provided for and may or may not be covered by insurance.

**EASTVIEW P.H. II CORPORATION**

Notes to Financial Statement

(continued)

December 31, 2022

Note 2 – Reserves (continued)

Should major repairs and/or replacements become necessary, and funds are not available, the Association may make a special assessment on all owners, increase monthly assessments or delay the repair or replacement until funds become available.

Under California Civil Code Section 1365, such associations are required to perform a reserve study and furnish a copy of the study to all homeowners. Although the code does not require the funding to be adequate, disclosure must be made. Reserves may or may not be adequate.

The Board did not have a reserve study completed in 2022 but in 2022 updated the internal reserve study that was done in November 2021. The Association has \$95,975 set aside in reserve savings at December 31, 2022. The Association will be allocating \$24,000 of 2023 assessments to reserves.

Note 3 – Cash

Cash classified as operating consisted of the following as of December 31, 2022:

C/T Bank - checking	\$ 76,380
	<u>\$ 76,380</u>

Cash classified as savings and set aside for reserves consisted of the following as of December 31, 2022:

Balboa Thrift and Loan - savings	\$ 46,991
	<u>\$ 46,991</u>

Funds held in commercial institutions are insured by the FDIC up to \$ 250,000.

Cash and cash equivalents consist of funds held in commercial institutions.

## EASTVIEW P.H. II CORPORATION

Notes to Financial Statement

(continued)

December 31, 2022

### Note 4 – Prepaid Expenses

As of December 31, 2022 prepaid expenses consisted of the following:

Prepaid insurance	\$	4,320
Prepaid landscape		870
		<hr/>
	\$	5,190
		<hr/> <hr/>

### Note 5 – Fair Value Measurement

Authoritative guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 : Unadjusted quoted market process for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

Investment return for the years ended December 31, 2022 included in the consolidated statements of activities is comprised of the following:

Interest Income	\$	348
Unrealized losses	(	1 )
		<hr/>
	\$	347
		<hr/> <hr/>

The following table summarized the valuation of the Association's financial instruments in accordance with authoritative guidance at December 31, 2022:

	<u>Cost Basis</u>	<u>Fair Market Value</u>	<u>Level 1</u>
Bonds	\$ 48,985	\$ 48,984	\$ 48,984
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**EASTVIEW P.H. II CORPORATION**

Notes to Financial Statement

(continued)

December 31, 2022

Note 6 – Subsequent Events

Events subsequent to December 31, 2022 have been evaluated through April 10, 2023, the date these financial statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events.

SUPPLEMENTARY INFORMATION

**EASTVIEW P.H. II CORPORATION**  
 Supplementary Information on Future  
 Major Repairs and Replacements (Compiled)  
 December 31, 2022

The Association's board of directors conducted an internal study in November 2021 and updated in 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from vendors who sell listed items to the Association. 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.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance at 12/31/22</u>
Irrigation/backflow controls	10 - 13	\$ 45,184	\$ 45,184
Mail boxes	13	41,400	5,343
Landscape	0	14,000	13,863
Hardscape	2	25,000	19,585
Contingency	0	12,000	12,000
		\$ 137,584	\$ 95,975