

Financial Statement Review (Required Civil Code Sec. 4525)
Leisure Town Home Association

Order: 6NQFHLWD8
Address: 111 Glacier Cir
Order Date: 11-20-2023
Document not for resale
HomeWiseDocs



Community Management, LLC

October 25, 2022

Dear Association Member:

Per California Civil Code §5305, please find enclosed the Association's "Financial Statements and Supplemental Information" for the fiscal year ending June 30, 2022. This report was developed by Levy, Erlanger & Company Certified Public Accountants, for your review and information. No action is required on your part.

Should you have any questions, please contact us at the number below or via email at daniela.davila@omnicommunities.com.

Sincerely,

Daniela Davila
Chief Operating Officer
OMNI Community Management, LLC

enclosures
file

LEISURE TOWN HOME ASSOCIATION

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

YEARS ENDED JUNE 30, 2022 AND 2021

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

Order: 6NQFHLWD8
Address: 111 Glacier Cir
Order Date: 11-20-2023
Document not for resale
HomeWiseDocs

LEISURE TOWN HOME ASSOCIATION

**CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

| | <u>Page(s)</u> |
|--|----------------|
| INDEPENDENT ACCOUNTANT'S REVIEW REPORT | 1 - 2 |
| BALANCE SHEETS | 3 |
| STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES | 4 - 6 |
| STATEMENTS OF CASH FLOWS | 7 - 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 - 14 |
| SUPPLEMENTARY INFORMATION | |
| Supplementary Information On Future Major Repairs And Replacements At June 30, 2022 | 15 - 16 |

LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

100 Montgomery Street, Suite 715
San Francisco, CA 94104

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board Of Directors
Leisure Town Home Association
Vacaville, California

We have reviewed the accompanying financial statements of **Leisure Town Home Association** (the Association) which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in fund balances and cash flows, for the years 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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 **Leisure Town Home Association** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, 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.

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 we do not express an opinion, a conclusion, nor provide any assurance on it.



September 23, 2022

LEISURE TOWN HOME ASSOCIATION

**BALANCE SHEETS
JUNE 30, 2022 AND 2021**

| | <u>2022</u> | | | <u>2021</u> |
|--|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 6) | \$ 704,145 | \$ 396,294 | \$ 1,100,439 | \$ 848,184 |
| Investment in certificates of deposit (Note 2) | | 250,000 | 250,000 | |
| Assessments receivable, less allowance for doubtful accounts of \$32,439 and \$44,185, respectively (Note 2) | 5,726 | | 5,726 | 2,325 |
| Prepaid insurance | 8,886 | | 8,886 | 14,822 |
| Prepaid income taxes | | | | 2,700 |
| Building and equipment, net of accumulated depreciation of \$326,392 and \$268,843, respectively (Note 4) | <u>40,373</u> | <u>1,359,028</u> | <u>1,399,401</u> | <u>1,456,950</u> |
| Total assets | <u>\$ 759,130</u> | <u>\$ 2,005,322</u> | <u>\$ 2,764,452</u> | <u>\$ 2,324,981</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 77,633 | \$ 2,067 | \$ 79,700 | \$ 71,474 |
| Assessments paid in advance | 649,224 | | 649,224 | 517,298 |
| Deposits | 154 | | 154 | 879 |
| Due to (due from) other fund | (900) | 900 | | |
| Major component replacement liability (Note 3) | | <u>2,415,000</u> | <u>2,415,000</u> | <u>2,550,000</u> |
| Total liabilities | <u>726,111</u> | <u>2,417,967</u> | <u>3,144,078</u> | <u>3,139,651</u> |
| COMMITMENTS (NOTE 5) | | | | |
| | - | - | - | - |
| FUND BALANCE (DEFICIT) | | | | |
| | <u>33,019</u> | <u>(412,645)</u> | <u>(379,626)</u> | <u>(814,670)</u> |
| Total liabilities and fund balance | <u>\$ 759,130</u> | <u>\$ 2,005,322</u> | <u>\$ 2,764,452</u> | <u>\$ 2,324,981</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2022 AND 2021**

| | <u>2022</u> | | | <u>2021</u> |
|--------------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| REVENUES | | | | |
| Assessments | \$ 676,056 | \$ 322,500 | \$ 998,556 | \$ 943,252 |
| Assessments-Garden Homes #1 | 72,504 | 19,344 | 91,848 | 90,536 |
| Assessments-Garden Homes #2 | 78,648 | 19,800 | 98,448 | 97,092 |
| Bad debt recovery (expense) | 11,747 | | 11,747 | (14,185) |
| Interest income (Note 2) | 905 | 113 | 1,018 | 441 |
| Bocce court contributions | | | | 1,076 |
| RV lot and town center rental income | 26,120 | | 26,120 | 19,771 |
| Late charges and other income | 67,246 | 1,500 | 68,746 | 33,040 |
| Total revenues | <u>933,226</u> | <u>363,257</u> | <u>1,296,483</u> | <u>1,171,023</u> |
| EXPENSES | | | | |
| <u>Administration</u> | | | | |
| Depreciation expense | 1,739 | 55,810 | 57,549 | 59,667 |
| Governance | | | | 16,108 |
| Insurance | 31,155 | | 31,155 | 37,475 |
| Legal and accounting | 22,713 | | 22,713 | 27,978 |
| Monthly accounting and billing | 26,330 | | 26,330 | 27,715 |
| Office, printing and postage | 52,622 | | 52,622 | 52,154 |
| Reserve study | 800 | | 800 | 800 |
| Workers' compensation insurance | 8,326 | | 8,326 | 8,719 |
| | <u>143,685</u> | <u>55,810</u> | <u>199,495</u> | <u>230,616</u> |
| <u>Maintenance and operations</u> | | | | |
| Equipment lease and maintenance | 15,976 | - | 15,976 | 22,367 |
| Janitorial services | 16,982 | | 16,982 | 14,288 |
| Landscape maintenance | 170,330 | | 170,330 | 175,660 |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2022 AND 2021**

| | <u>2022</u> | | | <u>2021</u> |
|---|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| EXPENSES (CONTINUED) | | | | |
| <u>Maintenance and operations (continued)</u> | | | | |
| Landscaping Garden Homes #1 | \$ 52,875 | \$ - | \$ 52,875 | \$ 47,158 |
| Landscaping Garden Homes #2 | 42,245 | | 42,245 | 45,353 |
| Contract labor | 182,542 | | 182,542 | 188,265 |
| Pest control | 1,500 | | 1,500 | 3,000 |
| Pool and spa maintenance | 17,286 | | 17,286 | 10,634 |
| Security services | 5,529 | | 5,529 | 15,131 |
| Other maintenance and operations | 9,213 | | 9,213 | 17,905 |
| | <u>514,478</u> | <u>-</u> | <u>514,478</u> | <u>539,761</u> |
| <u>Utilities</u> | | | | |
| Cable and internet | 19,688 | - | 19,688 | 12,397 |
| Garbage collection | 3,954 | | 3,954 | 3,872 |
| Gas and electricity | 36,069 | | 36,069 | 12,761 |
| Water and sewer | 125,817 | | 125,817 | 159,669 |
| | <u>185,528</u> | <u>-</u> | <u>185,528</u> | <u>188,699</u> |
| <u>Major repairs and replacements</u> | | | | |
| Major component replace provision (Note 3) | - | (38,062) | (38,062) | (165,672) |
| | <u>-</u> | <u>(38,062)</u> | <u>(38,062)</u> | <u>(165,672)</u> |
| Total expenses | <u>843,691</u> | <u>17,748</u> | <u>861,439</u> | <u>793,404</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2022 AND 2021**

| | <u>2022</u> | | | <u>2021</u> |
|---|-------------------|---------------------|---------------------|---------------------|
| | <u>Operations</u> | <u>Replacement</u> | <u>Total</u> | <u>Total</u> |
| | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> | <u>Funds</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | \$ 89,535 | \$ 345,509 | \$ 435,044 | \$ 377,619 |
| BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS | 156,110 | (156,110) | - | - |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>(212,626)</u> | <u>(602,044)</u> | <u>(814,670)</u> | <u>(1,192,289)</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ 33,019</u> | <u>\$ (412,645)</u> | <u>\$ (379,626)</u> | <u>\$ (814,670)</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

| | <u>2022</u> | | | <u>2021</u> |
|--|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| OPERATING ACTIVITIES | | | | |
| Excess (deficiency) of revenues over expenses | \$ 89,535 | \$ 345,509 | \$ 435,044 | \$ 377,619 |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities: | | | | |
| Major component replacement provision | - | (38,062) | (38,062) | (165,672) |
| Major component replacement expenditures | | (96,938) | (96,938) | (420,328) |
| Bad debt expense (recovery) | (11,747) | | (11,747) | 14,185 |
| Depreciation expense | 1,739 | 55,810 | 57,549 | 59,667 |
| Decrease (increase) in assets: | | | | |
| Assessments receivable | 8,346 | | 8,346 | (9,700) |
| Prepaid insurance | 5,936 | | 5,936 | (1,402) |
| Prepaid income taxes | 1,053 | 1,647 | 2,700 | (2,700) |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 6,159 | 2,067 | 8,226 | 28,761 |
| Assessments paid in advance | 131,926 | | 131,926 | 456,800 |
| Income taxes payable | | | | (2,574) |
| Deposits | (725) | | (725) | 879 |
| Due to (due from) other fund | (77,048) | 77,048 | | |
| Total adjustments | 65,639 | 1,572 | 67,211 | (42,084) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>155,174</u> | <u>347,081</u> | <u>502,255</u> | <u>335,535</u> |
| INVESTING ACTIVITIES | | | | |
| Net (purchase) sale of certificates of deposit | - | (250,000) | (250,000) | 100,036 |
| NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | <u>-</u> | <u>(250,000)</u> | <u>(250,000)</u> | <u>100,036</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

| | <u>2022</u> | | | <u>2021</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 | \$ 155,174 | \$ 97,081 | \$ 252,255 | \$ 435,571 |
| BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS | 156,110 | (156,110) | - | - |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>392,861</u> | <u>455,323</u> | <u>848,184</u> | <u>412,613</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 704,145</u> | <u>\$ 396,294</u> | <u>\$ 1,100,439</u> | <u>\$ 848,184</u> |
| <u>Supplemental Disclosures</u> | | | | |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Income taxes paid | <u>\$ (1,053)</u> | <u>\$ (1,647)</u> | <u>\$ (2,700)</u> | <u>\$ 5,274</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

1. THE ASSOCIATION

Leisure Town Home Association (the Association) is a common interest development located in Vacaville, California which consists of 1,153 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in November 1978 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 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.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

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 June 30, 2022 totaled approximately \$533,000.

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.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

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 is taxed as a regular corporation at 21% of net nonmember income. 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. A building constructed in 2004 and security cameras purchased in 2016 have been capitalized and depreciation has been recorded on the straight-line basis over the estimated lives of 40 and 5 years, respectively. In July 2017, the Association installed a solar system and completed a new fitness center, both of which are capitalized and are depreciated on the straight-line basis over estimated lives of 20 years and 31-1/2 years, respectively.

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

3. MAJOR COMPONENT REPLACEMENT LIABILITY

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 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 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.

In March 2022, Browning Reserve Group, a Sacramento, California-based construction consulting firm, performed a component study to estimate the useful and remaining lives and replacement costs of the Association's common property. The Board is funding future major repairs and replacements over the estimated remaining useful lives of the components based on the foregoing study and their judgment, considering amounts previously accumulated in the replacement fund. Accordingly, \$386,412 of reserve funding has been included in the 2023 budget.

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 repair and replacement of common area major components until funds are available.

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

3. MAJOR COMPONENT REPLACEMENT LIABILITY (CONTINUED)

Activity in the major component replacement liability account during the years ended June 30, 2022 and 2021 is summarized as follows:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|---------------------|---------------------|
| Liability balance, beginning of year | \$ 2,550,000 | \$ 3,136,000 |
| Provision for annual year | <u>(38,062)</u> | <u>(165,672)</u> |
| | <u>2,511,938</u> | <u>2,970,328</u> |
| Expenditures: | | |
| Building repairs | (91,269) | (367,613) |
| Paving | | (24,110) |
| HVAC system | | (1,995) |
| Landscaping | | (19,135) |
| Security system | | (6,425) |
| Pool | (660) | |
| Other major repairs and replacements | <u>(4,982)</u> | <u>(1,050)</u> |
| | <u>(96,938)</u> | <u>(420,328)</u> |
| Liability balance, end of year | <u>\$ 2,415,000</u> | <u>\$ 2,550,000</u> |

4. BUILDING AND EQUIPMENT

Building and equipment as of June 30, 2022 and 2021 consists of the following:

| | <u>2022</u> | <u>2021</u> |
|------------------------------|---------------------|---------------------|
| Building | \$ 1,537,233 | \$ 1,537,233 |
| Equipment | 39,060 | 39,060 |
| Solar system | 149,500 | 149,500 |
| Accumulated depreciation | <u>(326,392)</u> | <u>(268,843)</u> |
| Net buildings and equipments | <u>\$ 1,399,401</u> | <u>\$ 1,456,950</u> |

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

5. 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.

6. GARDEN HOMES ASSOCIATIONS

The Association maintains bank accounts for Garden Homes #1 and Garden Homes #2 communities within the Association that separately assess their members an additional annual assessment for expenses specifically incurred by these communities. As of June 30, 2022 and 2021, cash balances were \$39,984 and \$20,592, respectively in a bank account for Garden Homes #1 and \$85,646 and \$65,855, respectively in a bank account for Garden Homes #2.

7. COVID-19

In December 2019 a novel strain of coronavirus surfaced and has spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization in January 2020. The effect of this virus on the financial position and/or results of operations of the Association is unknown at this time.

8. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 23, 2022, the date that the financial statements were available to be issued.

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2022
(UNAUDITED)**

The following information on common area major components was compiled by Browning Reserve Group of Sacramento, California as of **March 2022** and has served as the basis for the current estimates of replacement reserve funding:

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2021/2022 Fully Funded Balance</i> |
|-------------------------------------|---------------------------------|--------------------|-----------------------|---------------------------------------|
| 01000 - Paving | 311,228 | 1-25 | 0-9 | 187,776 |
| 02000 - Concrete | 55,224 | 2-4 | 1-5 | 18,846 |
| 03000 - Painting: Exterior | 58,763 | 5-10 | 1-4 | 34,505 |
| 03500 - Painting: Interior | 42,378 | 10-10 | 1-9 | 24,987 |
| 04000 - Structural Repairs | 195,419 | 1-40 | 1-39 | 52,856 |
| 05000 - Roofing | 458,173 | 20-40 | 5-38 | 81,341 |
| 08000 - Rehab | 675,590 | 1-30 | 1-29 | 288,247 |
| 11000 - Gate Equipment | 5,253 | 12-12 | 9-9 | 1,313 |
| 12000 - Pool | 294,505 | 7-50 | 1-21 | 201,622 |
| 13000 - Spa | 15,864 | 6-18 | 2-14 | 9,246 |
| 14000 - Recreation | 15,602 | 14-20 | 4-14 | 6,530 |
| 18000 - Landscaping | 1,361,647 | 2-40 | 1-38 | 1,079,087 |
| 19000 - Fencing | 83,793 | 25-30 | 4-25 | 33,001 |
| 20000 - Lighting | 66,977 | 15-40 | 1-15 | 41,965 |
| 21000 - Signage | 3,152 | 15-15 | 4-4 | 2,311 |
| 23000 - Mechanical Equipment | 234,714 | 1-20 | 0-16 | 64,101 |
| 23500 - Elevator | 16,810 | 20-20 | 3-3 | 14,289 |
| 24000 - Furnishings | 27,247 | 5-15 | 1-12 | 18,043 |
| 24500 - Audio / Visual | 37,350 | 10-15 | 3-8 | 16,572 |
| 24600 - Safety / Access | 31,685 | 5-15 | 2-14 | 4,590 |
| 25000 - Flooring | 91,794 | 10-20 | 1-19 | 45,957 |
| 25500 - Wallcoverings | 3,631 | 20-20 | 3-9 | 2,610 |
| 26000 - Outdoor Equipment | 190,162 | 15-40 | 4-17 | 73,697 |
| 27000 - Appliances | 25,425 | 15-20 | 2-7 | 20,694 |
| 30000 - Miscellaneous | 18,953 | 3-20 | 2-17 | 7,597 |
| 31000 - Reserve Study | 3,992 | 3-3 | 1-1 | 2,662 |
| 32000 - Undesignated | 3,047 | 1-1 | 1-1 | 1,523 |
| Totals | \$4,328,379 | | | \$2,335,969 |
| Estimated Ending Balance | | | | \$678,825 |
| Percent Funded | | | | 29.1% |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2022
(UNAUDITED)**

Garden Homes #1

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2021/2022 Fully Funded Balance</i> |
|-----------------------------------|---|------------------------|---------------------------|---|
| 03000 - Painting: Exterior | 166,058 | 10-10 | 8-8 | 33,212 |
| 18000 - Landscaping | 5,513 | 3-12 | 1-8 | 2,823 |
| Totals | \$171,572 | | | \$36,034 |
| Estimated Ending Balance | | | | \$40,254 |
| Percent Funded | | | | 111.7% |

Garden Homes #2

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2021/2022 Fully Funded Balance</i> |
|-----------------------------------|---|------------------------|---------------------------|---|
| 03000 - Painting: Exterior | 168,485 | 10-10 | 8-8 | 33,697 |
| 18000 - Landscaping | 8,528 | 5-5 | 1-1 | 6,822 |
| 29000 - Infrastructure | 2,345 | 15-15 | 1-1 | 2,189 |
| Totals | \$179,358 | | | \$42,708 |
| Estimated Ending Balance | | | | \$86,791 |
| Percent Funded | | | | 203.2% |

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 **before-tax interest rate** of **1-1/2%** on replacement fund cash balances and an annual **inflation rate** of **2-1/2%** on major component replacement costs. The replacement fund **cash** and investment balances at June 30, 2022 totaled **\$646,294**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$2,415,000**. The portion of **2023** regular **assessments** budgeted to be allocated to the replacement fund totals **\$386,412**.

See independent accountant's review report and accompanying notes.



November 29, 2021

RE: CPA Reviewed Financial Statements
Fiscal Year End June 30, 2021

Dear Association Member:

Per California Civil Code §5305, please find enclosed the Association's "Financial Statements and Supplemental Information" for the fiscal year ending June 30, 2021. This report was developed by Levy, Erlanger & Company, Certified Public Accountants, for your review and information. No action is required on your part.

Per California Corporations Code §8321, the Association maintains a list of members in the Management Company's office at the address below.

Should you have any questions, please contact us at the number below or via email at daniela.davila@omnicommunities.com.

Sincerely,

Daniela Davila
Chief Operating Officer
OMNI Community Management, LLC

enclosures
file

LEISURE TOWN HOME ASSOCIATION

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

YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)

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

Order: 6NQFHLWD8
Address: 111 Glacier Cir
Order Date: 11-20-2023
Document not for resale
HomeWiseDocs

LEISURE TOWN HOME ASSOCIATION

**CONTENTS
YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

| | <u>Page(s)</u> |
|--|----------------|
| INDEPENDENT ACCOUNTANT'S REVIEW REPORT | 1 - 2 |
| BALANCE SHEETS | 3 |
| STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES | 4 - 6 |
| STATEMENTS OF CASH FLOWS | 7 - 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 - 14 |
| SUPPLEMENTARY INFORMATION | |
| Supplementary Information On Future Major Repairs And Replacements At June 30, 2021 | 15 - 16 |

LEVY, ERLANGER & COMPANY LLP
Certified Public Accountants

290 King Street, Suite 12
San Francisco, CA 94107

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board Of Directors
Leisure Town Home Association
Vacaville, California

We have reviewed the accompanying financial statements of **Leisure Town Home Association** (the Association) which comprise the balance sheet as of June 30, 2021 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 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.

Accountant's Conclusion

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.

Report on 2020 Financial Statements

The 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated August 18, 2020. We have not performed any auditing procedures since that date.

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 we do not express an opinion, a conclusion, nor provide any assurance on it.



September 1, 2021

LEISURE TOWN HOME ASSOCIATION

**BALANCE SHEETS
JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

| | <u>2021</u> | | | <u>2020</u> |
|--|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 6) | \$ 392,861 | \$ 455,323 | \$ 848,184 | \$ 412,613 |
| Investment in certificates of deposit (Note 2) | | | | 100,036 |
| Assessments receivable, less allowance for doubtful accounts of \$44,185 and \$30,000, respectively (Note 2) | 2,325 | | 2,325 | 6,810 |
| Prepaid insurance | 14,822 | | 14,822 | 13,420 |
| Prepaid income taxes | 1,053 | 1,647 | 2,700 | |
| Building and equipment, net of accumulated depreciation of \$268,843 and \$209,176, respectively (Note 4) | 42,112 | 1,414,838 | 1,456,950 | 1,516,617 |
| Total assets | <u>\$ 453,173</u> | <u>\$ 1,871,808</u> | <u>\$ 2,324,981</u> | <u>\$ 2,049,496</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 71,474 | \$ - | \$ 71,474 | \$ 42,713 |
| Assessments paid in advance | 517,298 | | 517,298 | 60,498 |
| Income taxes payable | | | | 2,574 |
| Deposits | 879 | | 879 | |
| Due to (due from) other fund | 76,148 | (76,148) | | |
| Major component replacement liability (Note 3) | | 2,550,000 | 2,550,000 | 3,136,000 |
| Total liabilities | <u>665,799</u> | <u>2,473,852</u> | <u>3,139,651</u> | <u>3,241,785</u> |
| COMMITMENTS (NOTE 5) | - | - | - | - |
| FUND BALANCE (DEFICIT) | <u>(212,626)</u> | <u>(602,044)</u> | <u>(814,670)</u> | <u>(1,192,289)</u> |
| Total liabilities and fund balance | <u>\$ 453,173</u> | <u>\$ 1,871,808</u> | <u>\$ 2,324,981</u> | <u>\$ 2,049,496</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

| | <u>2021</u> | | | <u>2020</u> |
|--------------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| REVENUES | | | | |
| Assessments | \$ 643,252 | \$ 300,000 | \$ 943,252 | \$ 927,012 |
| Assessments-Garden Homes #1 | 71,232 | 19,304 | 90,536 | 63,600 |
| Assessments-Garden Homes #2 | 77,292 | 19,800 | 97,092 | 71,868 |
| Special assessments (Note) | | | | 189,900 |
| Bad debt recovery (expense) | (14,185) | | (14,185) | (13,000) |
| Interest income (Note 2) | 173 | 268 | 441 | 11,262 |
| Bocce court contributions | 1,076 | | 1,076 | 3,553 |
| RV lot and town center rental income | 19,771 | | 19,771 | 24,834 |
| Late charges and other income | 33,040 | | 33,040 | 38,571 |
| Total revenues | <u>831,651</u> | <u>339,372</u> | <u>1,171,023</u> | <u>1,317,600</u> |
| EXPENSES | | | | |
| <u>Administration</u> | | | | |
| Depreciation expense | 3,857 | 55,810 | 59,667 | 61,181 |
| Governance | 16,108 | | 16,108 | 6,273 |
| Income tax provision (Note 2) | | | | 2,574 |
| Insurance | 37,475 | | 37,475 | 36,127 |
| Legal and accounting | 27,978 | | 27,978 | 32,136 |
| Monthly accounting and billing | 27,715 | | 27,715 | 30,311 |
| Office, printing and postage | 41,473 | 10,681 | 52,154 | 35,721 |
| Reserve study | 800 | | 800 | 7,300 |
| Workers' compensation insurance | 8,719 | | 8,719 | 7,924 |
| | <u>164,125</u> | <u>66,491</u> | <u>230,616</u> | <u>219,547</u> |
| <u>Maintenance and operations</u> | | | | |
| Equipment lease and maintenance | 22,367 | - | 22,367 | 15,726 |
| Janitorial services | 14,288 | | 14,288 | 12,291 |
| Landscape maintenance | 175,660 | | 175,660 | 168,293 |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

| | <u>2021</u> | | | <u>2020</u> |
|---|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| EXPENSES (CONTINUED) | | | | |
| <u>Maintenance and operations (continued)</u> | | | | |
| Landscaping Garden Homes #1 | \$ 47,158 | \$ - | \$ 47,158 | \$ 26,369 |
| Landscaping Garden Homes #2 | 45,353 | | 45,353 | 29,021 |
| Payroll, payroll taxes and benefits | 188,265 | | 188,265 | 180,614 |
| Pest control | 3,000 | | 3,000 | 300 |
| Pool and spa maintenance | 10,634 | | 10,634 | 12,218 |
| Security services | 15,131 | | 15,131 | |
| Other maintenance and operations | 17,905 | | 17,905 | 15,873 |
| | <u>539,761</u> | <u>-</u> | <u>539,761</u> | <u>460,705</u> |
| <u>Utilities</u> | | | | |
| Cable and internet | 12,397 | - | 12,397 | 8,030 |
| Garbage collection | 3,872 | | 3,872 | 4,263 |
| Gas and electricity | 12,761 | | 12,761 | 22,893 |
| Water and sewer | 159,669 | | 159,669 | 136,821 |
| | <u>188,699</u> | <u>-</u> | <u>188,699</u> | <u>172,007</u> |
| <u>Major repairs and replacements</u> | | | | |
| Major component replace provision (Note 3) | - | (165,672) | (165,672) | 1,282,290 |
| | <u>-</u> | <u>(165,672)</u> | <u>(165,672)</u> | <u>1,282,290</u> |
| Total expenses | <u>892,585</u> | <u>(99,181)</u> | <u>793,404</u> | <u>2,134,549</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

| | <u>2021</u> | | | <u>2020</u> |
|---|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | \$ (60,934) | \$ 438,553 | \$ 377,619 | \$ (816,949) |
| BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS | (159,632) | 159,632 | - | - |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>7,940</u> | <u>(1,200,229)</u> | <u>(1,192,289)</u> | <u>(375,340)</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ (212,626)</u> | <u>\$ (602,044)</u> | <u>\$ (814,670)</u> | <u>\$ (1,192,289)</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

| | <u>2021</u> | | | <u>2020</u> |
|--|----------------------------|-----------------------------|------------------------|------------------------|
| | <u>Operations Fund</u> | <u>Replacement Fund</u> | <u>Total Funds</u> | <u>Total Funds</u> |
| OPERATING ACTIVITIES | | | | |
| Excess (deficiency) of revenues over expenses | \$ (60,934) | \$ 438,553 | \$ 377,619 | \$ (816,949) |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities: | | | | |
| Major component replacement provision | - | (165,672) | (165,672) | 1,282,290 |
| Major component replacement expenditures | | (420,328) | (420,328) | (709,290) |
| Bad debt expense (recovery) | 14,185 | | 14,185 | 13,000 |
| Depreciation expense | 3,857 | 55,810 | 59,667 | 61,181 |
| Decrease (increase) in assets: | | | | |
| Assessments receivable | (9,700) | | (9,700) | (7,944) |
| Prepaid insurance | (1,402) | | (1,402) | (76) |
| Prepaid income taxes | (1,053) | (1,647) | (2,700) | |
| Other prepaid expenses | | | | 1,266 |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 28,761 | | 28,761 | (31,581) |
| Donations from members | | | | (3,553) |
| Assessments paid in advance | 456,800 | | 456,800 | (408,291) |
| Income taxes payable | (309) | (2,265) | (2,574) | 2,574 |
| Deposits | 879 | | 879 | |
| Due to (due from) other fund | 76,148 | (76,148) | | |
| Total adjustments | 568,166 | (610,250) | (42,084) | 199,576 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>507,232</u> | <u>(171,697)</u> | <u>335,535</u> | <u>(617,373)</u> |
| INVESTING ACTIVITIES | | | | |
| Net (purchase) sale of certificates of deposit | - | 100,036 | 100,036 | 300,579 |
| NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | <u>-</u> | <u>100,036</u> | <u>100,036</u> | <u>300,579</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

| | <u>2021</u> | | | <u>2020</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 | \$ 507,232 | \$ (71,661) | \$ 435,571 | \$ (316,794) |
| BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS | (159,632) | 159,632 | - | - |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>45,261</u> | <u>367,352</u> | <u>412,613</u> | <u>729,407</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 392,861</u> | <u>\$ 455,323</u> | <u>\$ 848,184</u> | <u>\$ 412,613</u> |
| <u>Supplemental Disclosures</u> | | | | |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Income taxes paid | <u>\$ 1,362</u> | <u>\$ 3,912</u> | <u>\$ 5,274</u> | <u>\$ -</u> |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)

1. THE ASSOCIATION

Leisure Town Home Association (the Association) is a common interest development located in Vacaville, California which consists of 1,153 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in November 1978 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 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.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)

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 June 30, 2021 totaled approximately \$272,000.

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.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)

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 is taxed as a regular corporation at 21% of net nonmember income. 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. A building constructed in 2004 and security cameras purchased in 2016 have been capitalized and depreciation has been recorded on the straight-line basis over the estimated lives of 40 and 5 years, respectively. In July 2017, the Association installed a solar system and completed a new fitness center, both of which are capitalized and are depreciated on the straight-line basis over estimated lives of 20 years and 31-1/2 years, respectively.

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)

3. MAJOR COMPONENT REPLACEMENT LIABILITY

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 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 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.

In March 2021, Browning Reserve Group, a Sacramento, California-based construction consulting firm, performed a component study to estimate the useful and remaining lives and replacement costs of the Association's common property. The Board is funding future major repairs and replacements over the estimated remaining useful lives of the components based on the foregoing study and their judgment, considering amounts previously accumulated in the replacement fund. Accordingly, \$361,644 of reserve funding has been included in the 2022 budget.

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 repair and replacement of common area major components until funds are available.

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)**

3. MAJOR COMPONENT REPLACEMENT LIABILITY (CONTINUED)

Activity in the major component replacement liability account during the years ended June 30, 2021 and 2020 is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|---------------------|---------------------|
| Liability balance, beginning of year | \$ 3,136,000 | \$ 2,563,000 |
| Provision for annual year | <u>(165,672)</u> | <u>1,282,290</u> |
| | <u>2,970,328</u> | <u>3,845,290</u> |
| Expenditures: | | |
| Building repairs | (367,613) | - |
| Paving | (24,110) | (8,760) |
| HVAC system | (1,995) | (7,012) |
| Landscaping | (19,135) | (169,102) |
| Roofs/siding | | (183,222) |
| Security system | (6,425) | |
| Painting | | (314,402) |
| Windows | | |
| Other major repairs and replacements | <u>(1,050)</u> | <u>(26,792)</u> |
| | <u>(420,328)</u> | <u>(709,290)</u> |
| Liability balance, end of year | <u>\$ 2,550,000</u> | <u>\$ 3,136,000</u> |

4. BUILDING AND EQUIPMENT

Building and equipment as of June 30, 2021 and 2020 consists of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|---------------------|---------------------|
| Building | \$ 1,537,233 | \$ 1,537,233 |
| Equipment | 39,060 | 39,060 |
| Solar system | 149,500 | 149,500 |
| Accumulated depreciation | <u>(268,843)</u> | <u>(209,176)</u> |
| Net buildings and equipments | <u>\$ 1,456,950</u> | <u>\$ 1,516,617</u> |

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 (REVIEWED) AND 2020 (AUDITED)

5. 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.

6. GARDEN HOMES ASSOCIATIONS

The Association maintained several bank accounts for Garden Homes #1 and Garden Homes #2 communities within the Association that separately assess their members an additional annual assessment for expenses specifically incurred by these communities. As of June 30, 2021 and 2020, cash balances were \$20,592 and \$1,304, respectively in bank accounts for Garden Homes #1 and \$65,855 and \$46,032, respectively in bank accounts for Garden Homes #2.

7. COVID-19

In December 2019 a novel strain of coronavirus surfaced and has spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization in January 2020. The effect of this virus on the financial position and/or results of operations of the Association is unknown at this time.

8. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 1, 2021, the date that the financial statements were available to be issued.

See independent accountant's review report.

LEISURE TOWN HOME ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS**

**JUNE 30, 2021
(UNAUDITED)**

The following information on common area major components was compiled by Browning Reserve Group of Sacramento, California as of **March 2021** and has served as the basis for the current estimates of replacement reserve funding:

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2020/2021 Fully Funded Balance</i> |
|-------------------------------------|---------------------------------|--------------------|-----------------------|---------------------------------------|
| 01000 - Paving | 299,540 | 5-25 | 3-10 | 160,902 |
| 02000 - Concrete | 44,609 | 2-4 | 1-6 | 18,289 |
| 03000 - Painting: Exterior | 56,531 | 5-10 | 1-5 | 31,051 |
| 03500 - Painting: Interior | 41,344 | 10-10 | 2-10 | 20,746 |
| 04000 - Structural Repairs | 190,652 | 1-40 | 0-16 | 154,370 |
| 05000 - Roofing | 446,998 | 20-40 | 6-39 | 65,381 |
| 08000 - Rehab | 593,809 | 20-30 | 0-20 | 496,042 |
| 11000 - Gate Equipment | 5,125 | 12-12 | 10-10 | 854 |
| 12000 - Pool | 282,425 | 7-50 | 2-22 | 183,066 |
| 13000 - Spa | 15,477 | 6-18 | 2-15 | 7,667 |
| 14000 - Recreation | 15,221 | 14-20 | 5-15 | 5,517 |
| 18000 - Landscaping | 1,330,621 | 1-40 | 0-39 | 1,050,058 |
| 19000 - Fencing | 81,749 | 25-30 | 5-26 | 29,185 |
| 20000 - Lighting | 65,344 | 15-40 | 2-16 | 38,677 |
| 21000 - Signage | 3,075 | 15-15 | 5-5 | 2,050 |
| 23000 - Mechanical Equipment | 216,327 | 1-20 | 0-17 | 36,021 |
| 23500 - Elevator | 16,400 | 20-20 | 2-2 | 14,760 |
| 24000 - Furnishings | 26,582 | 5-15 | 1-13 | 16,519 |
| 24500 - Audio / Visual | 36,439 | 10-15 | 2-9 | 14,394 |
| 24600 - Safety / Access | 31,962 | 1-15 | 0-7 | 28,218 |
| 25000 - Flooring | 89,555 | 10-20 | 2-20 | 40,765 |
| 25500 - Wallcoverings | 3,542 | 20-20 | 2-10 | 2,568 |
| 26000 - Outdoor Equipment | 185,524 | 15-40 | 5-18 | 62,839 |
| 27000 - Appliances | 24,805 | 15-20 | 2-8 | 20,124 |
| 30000 - Miscellaneous | 18,491 | 3-20 | 2-18 | 5,795 |
| 31000 - Reserve Study | 3,895 | 3-3 | 2-2 | 1,298 |
| 32000 - Undesignated | 2,972 | 1-1 | 1-1 | 1,486 |
| Totals | \$4,129,019 | | | \$2,508,643 |
| Estimated Ending Balance | | | | \$316,182 |
| Percent Funded | | | | 12.6% |

See independent accountant's review report and accompanying notes.

LEISURE TOWN HOME ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2021
(UNAUDITED)**

Garden Homes #1

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2020/2021 Fully Funded Balance</i> |
|-----------------------------------|---|------------------------|---------------------------|---|
| 03000 - Painting: Exterior | 159,671 | 10-10 | 9-9 | 15,967 |
| 18000 - Landscaping | 5,301 | 3-12 | 1-9 | 2,509 |
| Totals | \$164,973 | | | \$18,476 |
| Estimated Ending Balance | | | | \$20,727 |
| Percent Funded | | | | 112.2% |

Garden Homes #2

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2020/2021 Fully Funded Balance</i> |
|-----------------------------------|---|------------------------|---------------------------|---|
| 03000 - Painting: Exterior | 162,005 | 10-10 | 9-9 | 16,201 |
| 18000 - Landscaping | 8,200 | 5-5 | 2-2 | 4,920 |
| 29000 - Infrastructure | 2,255 | 15-15 | 1-1 | 2,105 |
| Totals | \$172,460 | | | \$23,225 |
| Estimated Ending Balance | | | | \$66,419 |
| Percent Funded | | | | 286.0% |

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 **before-tax interest rate** of **1-1/2%** on replacement fund cash balances and an annual **inflation rate** of **2-1/2%** on major component replacement costs. The replacement fund **cash** and investment balances at June 30, 2021 totaled **\$455,323**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$2,550,000**. The portion of **2022 regular assessments** budgeted to be allocated to the replacement fund totals **\$361,644**.

See independent accountant's review report and accompanying notes.