

**STRAWBERRY FLAT
PROPERTY OWNERS ASSOCIATION**

**Financial Statements
with
Independent Accountants' Compilation Report**

**For the Year Ended
June 30, 2023**

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Independent Accountants' Compilation Report

To the Board of Directors
Strawberry Flat Property Owners Association

Management is responsible for the accompanying financial statements of Strawberry Flat Property Owners Association (the Association), which comprise the statements of assets, liabilities, and fund balances—modified cash basis as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in fund balances—modified cash basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements on page 7 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. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Spafford & Landry, Inc.

August 21, 2023

STRAWBERRY FLAT PROPERTY OWNERS ASSOCIATION

**Statements of Assets, Liabilities, and Fund Balances
Modified Cash Basis**

**June 30, 2023
(With Comparative Totals for June 30, 2022)**

	Operating <u>Fund</u>	Replacement <u>Fund</u>	Totals <u>2023</u>	Totals <u>2022</u>
ASSETS				
Cash and cash equivalents	\$ 544	\$ 39,880	\$ 40,424	\$ 71,103
Land	<u>107,700</u>	<u>-</u>	<u>107,700</u>	<u>107,700</u>
Total assets	<u>\$ 108,244</u>	<u>\$ 39,880</u>	<u>\$ 148,124</u>	<u>\$ 178,803</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
NRCS Funds	\$ 544	\$ -	\$ 544	\$ 7,178
Fund Balances				
Undesignated	<u>107,700</u>	<u>39,880</u>	<u>147,580</u>	<u>171,625</u>
Total fund balances	<u>107,700</u>	<u>39,880</u>	<u>147,580</u>	<u>171,625</u>
Total liabilities and fund balances	<u>\$ 108,244</u>	<u>\$ 39,880</u>	<u>\$ 148,124</u>	<u>\$ 178,803</u>

The accompanying notes are an integral part of these financial statements.

See independent accountants' compilation report.

STRAWBERRY FLAT PROPERTY OWNERS ASSOCIATION

**Statements of Revenues, Expenses, and Changes in Fund Balances
Modified Cash Basis**

**For the Year Ended June 30, 2023
(With Comparative Totals for June 30, 2022)**

	Operating <u>Fund</u>	Replacement <u>Fund</u>	Totals <u>2023</u>	Totals <u>2022</u>
Revenues				
Member assessments	\$ 69,519	\$ -	\$ 69,519	\$ 68,296
Special assessment	27,269	-	27,269	-
Interest income	-	544	544	47
Late charges	768	-	768	1,064
Transfer and lien fees	2,000	-	2,000	1,800
Other income	2,000	-	2,000	-
Transfers	<u>24,589</u>	<u>(24,589)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>126,145</u>	<u>(24,045)</u>	<u>102,100</u>	<u>71,207</u>
Expenses				
Accounting fees	3,201	-	3,201	3,350
Administrative services	17,796	-	17,796	17,796
Annual meeting	500	-	500	419
Common area maintenance	54,172	-	54,172	11,896
Income taxes	-	-	-	25
Liability/Directors Insurance	8,852	-	8,852	8,140
Legal fees	1,152	-	1,152	2,973
Printing and postage	741	-	741	738
Road maintenance	743	-	743	14,057
Signage	163	-	163	-
Snow and mud removal	37,588	-	37,588	6,500
Bank fees - merchant services	265	-	265	-
Telephone	<u>972</u>	<u>-</u>	<u>972</u>	<u>857</u>
	<u>126,145</u>	<u>-</u>	<u>126,145</u>	<u>66,751</u>
Excess of revenues over expenses (expenses over revenues)	-	(24,045)	(24,045)	4,456
Fund Balances				
Balance, beginning of year	<u>107,700</u>	<u>63,925</u>	<u>171,625</u>	<u>167,169</u>
Balance, end of year	<u>\$ 107,700</u>	<u>\$ 39,880</u>	<u>\$ 147,580</u>	<u>\$ 171,625</u>

The accompanying notes are an integral part of these financial statements.

See independent accountants' compilation report.

STRAWBERRY FLAT PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Strawberry Flat Property Owners Association, (the Association) is presented to assist in understanding the Association's financial statements.

Nature of the Association

Strawberry Flat Property Owners' Association was incorporated December 19, 1968, in the State of California. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 199 lots located in Twin Peaks, California.

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amount of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of financial statements. A description of the significant accounting policies employed in the preparation of these financial statements is as follows:

Basis of Accounting

The financial statements of the Association have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Generally, revenues are recognized upon receipt rather than when earned, and expenses are recognized when paid rather than when incurred.

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 Assessments and Receivables

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. During the year ended June 30, 2023 the Association charged a special assessment for dead tree removal and common area maintenance. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments become delinquent. Any excess assessments at year-end are retained by the Association for future use and transferred to the reserve fund.

See independent accountants' compilation report.

STRAWBERRY FLAT PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

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. During the current year, the Association did not assess or receive any amounts in the replacement fund.

Summarized Comparative Financial 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 the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Income Taxes

The Association qualifies as a tax-exempt homeowners association under Internal Revenue Code Section 528 for the year ended June 30, 2023. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest, is taxed at 30% by the federal government and at 8.84% by the State of California.

Management has determined that all income tax positions are more likely than not to be sustained upon potential audit or examination; therefore, no disclosures of uncertain tax positions are required.

2. Future major repairs and replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$39,880 at June 30, 2023, are held in separate accounts and are generally not available for operating purposes.

The funding program was based on a study performed in 2021 to estimate the remaining useful lives and the replacement costs of the common property components.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

See independent accountants' compilation report.

STRAWBERRY FLAT PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements

3. Concentrations of Credit Risk

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Association places its cash and cash equivalents with highly credit worthy institutions. At times, such cash and cash equivalents may be in excess of the FDIC limits for bank accounts, SPIC insurance limits for certain investment accounts and NCUSIF for credit union accounts. At June 30, 2023 the Association had no cash or cash equivalent balances in excess of the federally insured limits.

4. Subsequent Events

Events or transactions that occurred after June 30, 2023 up through August 21, 2023, the date the Association's financial statements were available for issuance, were reviewed for subsequent event accounting and disclosure. During this period, the Association does not believe it had any material subsequent events.

STRAWBERRY FLAT PROPERTY OWNERS ASSOCIATION

**Schedule of Future Major Repairs and Replacements
June 30, 2023**

During 2021, the Board of Directors performed an internal reserve study to estimate the remaining useful lives and the replacement costs of the components of the Association's common property.

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 the date of the study 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.

Component	Estimated Remaining <u>Lives</u>	Estimated Current Replacement <u>Cost</u>	Amount Needed <u>Currently</u>	Replacement Fund Balance at <u>6/30/2023</u>
Lodge Lane	12	\$ 44,640	\$ 8,928	
Big Tree Road	12	19,224	3,845	
Fire Hall Loop	8	42,660	19,908	
Mile Pine Road	7	88,272	47,078	
Mile High Road	9	49,068	19,627	
Resort Loop	13	23,400	3,120	
Sunset Loop	15	64,584	-	
Connector Road	2	40,000	34,667	
Middle Road	4	57,168	41,923	
Signage	5	1,400	700	
Lodge Lane Gate	8	<u>1,500</u>	<u>700</u>	
Total		<u>\$ 431,916</u>	<u>\$ 180,496</u>	<u>\$ 39,880</u>

The replacement fund balance at June 30, 2023 was approximately 9% of the accumulated area components (22% of the current amount needed) based on the replacement cost study.

See independent accountants' compilation report.