

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

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

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

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**LEVY, ERLANGER & COMPANY LLP**  
Certified Public Accountants

100 Montgomery Street, Suite 715  
San Francisco, CA 94104

**INDEPENDENT AUDITOR'S REPORT**

Board Of Directors  
**Fiesta Gardens Homes Association, Incorporated**  
San Mateo, California

**Opinion**

We have audited the accompanying financial statements of **Fiesta Gardens Homes Association, Incorporated** (the Association) which comprise the balance sheet as of December 31, 2022 and the related statements of revenues, expenses, and changes in fund balances, and the cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association 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**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Fiesta Gardens Homes Association, Incorporated** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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 **Fiesta Gardens Homes Association, Incorporated'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**

Our 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 our 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.

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

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, we:

- 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 **Fiesta Gardens Homes Association, Incorporated'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Fiesta Gardens Homes Association, Incorporated's** ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

### **Prior Period Financial Statements**

The 2021 financial statements were reviewed by us, and our report thereon, dated February 16, 2022, stated that we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

### **Future Major Repairs and Replacements**

As further discussed in the notes to the financial statements, the Association has not completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. When such a study is completed, the reasonableness of the resulting replacement reserve funding plan will be 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.

### **Omission of Required Supplementary Information about Future Major Repairs and Replacements**

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by the missing information.



June 9, 2023

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**BALANCE SHEETS  
DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

	2022			2021
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 13,636	\$ 527,091	\$ 540,727	\$ 1,507,916
Assessments receivable, less allowance for doubtful accounts of \$36,000 and \$81,000, respectively. (Note 2)	398		398	1,062
Special assessments receivable, less allowance for doubtful accounts of \$21,000 and \$77,000, respectively. (Note 2)		750	750	1,250
Other receivable	773		773	2,500
Prepaid insurance	8,887		8,887	8,077
Deposits	11,500		11,500	11,500
Other assets				360
Total assets	<u>\$ 35,194</u>	<u>\$ 527,841</u>	<u>\$ 563,035</u>	<u>\$ 1,532,665</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,867	\$ 29,782	\$ 32,649	\$ 63,434
Construction retainage payable		49,375	49,375	12,773
Assessments paid in advance	432		432	1,323
Income taxes payable	71	475	546	528
Payroll taxes and benefits payable	583		583	
Contract liabilities - replacement reserve assessments paid in advance (Notes 2 and 4)		448,209	448,209	1,396,453
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	<u>3,953</u>	<u>527,841</u>	<u>531,794</u>	<u>1,474,511</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 7)</b>				
	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>				
	<u>31,241</u>	<u>-</u>	<u>31,241</u>	<u>58,154</u>
Total liabilities and fund balance	<u>\$ 35,194</u>	<u>\$ 527,841</u>	<u>\$ 563,035</u>	<u>\$ 1,532,665</u>

See independent auditor's report and accompanying notes.

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES  
YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

	2022			2021
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES</b>				
Assessments (Notes 2 and 4)	\$ 206,640	\$ 1,067,874	\$ 1,274,514	\$ 514,159
Bad debt recovery (expense)	45,000	56,000	101,000	(158,000)
Brick fundraiser income	28,125		28,125	
Interest income (Note 2)	566	3,844	4,410	2,236
Swim school	16,395		16,395	10,820
Late charges and other income	22,978		22,978	17,258
Total revenues	319,704	1,127,718	1,447,422	386,473
<b>EXPENSES</b>				
<u>Administration</u>				
Income tax provision (Note 2)	148	988	1,136	528
Insurance	20,519		20,519	18,223
Legal and accounting	32,061		32,061	56,552
Office, printing and postage	13,033		13,033	20,770
Taxes and permits	10,932		10,932	9,136
	76,693	988	77,681	105,209
<u>Maintenance and operations</u>				
Landscape maintenance	6,920	-	6,920	6,480
Payroll, payroll taxes and benefits	66,859		66,859	50,234
Pool and spa maintenance	26,670		26,670	27,722
Other maintenance and operations	8,388		8,388	4,904
	108,837	-	108,837	89,340
<u>Utilities</u>				
Garbage collection	2,311	-	2,311	2,267
Gas and electricity	20,117		20,117	15,405
Telephone	2,654		2,654	2,166
Water and sewer	16,375		16,375	13,743
	41,457	-	41,457	33,581

See independent auditor's report and accompanying notes.

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES  
YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

	2022			2021
	Operations Fund	Replacement Fund	Total Funds	Total Funds
<b>EXPENSES (CONTINUED)</b>				
<u>Major repairs and replacements</u>				
Cabana renovation	\$ -	\$ 1,126,730	\$ 1,126,730	\$ 232,218
	-	1,126,730	1,126,730	232,218
Total expenses	226,987	1,127,718	1,354,705	460,348
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	92,717	-	92,717	(73,875)
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(119,630)	-	(119,630)	(306,602)
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	58,154	-	58,154	438,631
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	\$ 31,241	\$ -	\$ 31,241	\$ 58,154

See independent auditor's report and accompanying notes.



**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

	<u>2022</u>		<u>2021</u>	
	<u>Operations</u>	<u>Replacement</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	
			<u>Total</u>	
			<u>Funds</u>	
<b>OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	\$ 92,717	\$ -	\$ 92,717	\$ (73,875)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt (recovery) expense	(45,000)	(56,000)	(101,000)	158,000
Decrease (increase) in assets:				
Assessments receivable	45,664		45,664	262,008
Special assessments receivable		56,500	56,500	(45,160)
Other receivable	1,727		1,727	27,000
Prepaid insurance	(810)		(810)	(1,163)
Deposits				(11,500)
Other assets	360		360	
Increase (decrease) in liabilities:				
Accounts payable	(1,287)	(29,498)	(30,785)	60,209
Construction retainage payable		36,602	36,602	12,773
Assessments paid in advance	(891)		(891)	
Income taxes payable	71	(53)	18	528
Contract liabilities - replacement reserve assessments paid in advance		(948,244)	(948,244)	(917)
Payroll taxes and benefits payable	583		583	
Total adjustments	417	(940,693)	(940,276)	461,778
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	93,134	(940,693)	(847,559)	387,903
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	93,134	(940,693)	(847,559)	387,903
<b>BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS</b>	(119,630)	-	(119,630)	(306,602)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	40,132	1,467,784	1,507,916	1,426,615
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 13,636	\$ 527,091	\$ 540,727	\$ 1,507,916

See independent auditor's report and accompanying notes.

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

	<u>2022</u>		<u>2021</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<u>Supplemental Disclosures</u>			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 77</u>	<u>\$ 1,041</u>	<u>\$ 1,118</u>

See independent auditor's report and accompanying notes.

# **FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

### **1. THE ASSOCIATION**

**Fiesta Gardens Homes Association, Incorporated** (the Association) is a common interest development located in San Mateo, California which consists of 574 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in October 1955 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 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. The Association's policy is to account for reserve fund expenditures using reserve fund assessments before reserve fund interest income.

**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 delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The estimate of allowance for doubtful accounts, if any, is based, generally on amounts past due greater than 90 to 120 days.

**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.

See independent auditor's report.

## **FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

### **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Concentrations of credit risk.** Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2022 totaled approximately \$291,000.

**Contract liabilities - replacement reserve assessments paid in advance.** The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability - replacement reserve assessments paid in advance is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

**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 auditor's report.

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at a flat 21% rate on net nonmember income; in the latter case it is taxed at a flat 30% rate on net nonexempt function income (which is generally similar to net nonmember income). California income tax approximates 9% of net nonmember 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. With the implementation of FASB ASC 606 new accounting guidance, reported replacement reserve interest income may be less than earned.

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

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

See independent auditor's report.

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

**3. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

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

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

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

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

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

See independent auditor's report.

**FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

**4. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) has issued new guidance that created Accounting Standards Codification (ASC) Topic 606. This new guidance supercedes the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRAs), Revenue Recognition, and now requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services (i.e. the accumulation of unspent replacement reserve cash and investments from assessment payments over time which are eventually to be used for common area major repairs and replacements).

The Association has adopted the new guidance as of January 1, 2021 using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2021. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenues and contract liabilities - replacement reserve assessments paid in advance.

<b><u>2021 Assessment Revenues Reconciliation</u></b>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<b><u>Total Funds</u></b>
Assessment revenues <b><u>per budget</u></b>	\$ 206,640	\$ -	\$ 206,640
Effects of applying <b><u>new guidance</u></b>			
Reclassify <b><u>interfund transfers</u></b>	-	306,602	<b>306,602</b>
Adjust <b><u>revenues to equal expenses</u></b>	-	917	<b>917</b>
Total effects of new guidance	-	307,519	<b>307,519</b>
Assessment revenues <b><u>per financial statements</u></b>	<b><u>\$ 206,640</u></b>	<b><u>\$ 307,519</u></b>	<b><u>\$ 514,159</u></b>

<b><u>2022 Assessment Revenues Reconciliation</u></b>	Operations <u>Fund</u>	Replacement <u>Fund</u>	<b><u>Total Funds</u></b>
Assessment revenues <b><u>per budget</u></b>	\$ 206,640	\$ -	\$ 206,640
Effects of applying <b><u>new guidance</u></b>			
Reclassify <b><u>interfund transfers</u></b>	-	119,630	<b>119,630</b>
Adjust <b><u>revenues to equal expenses</u></b>	-	948,244	<b>948,244</b>
Total effects of new guidance	-	1,067,874	<b>1,067,874</b>
Assessment revenues <b><u>per financial statements</u></b>	<b><u>\$ 206,640</u></b>	<b><u>\$ 1,067,874</u></b>	<b><u>\$ 1,274,514</u></b>

See independent auditor's report.

## **FIESTA GARDENS HOMES ASSOCIATION, INCORPORATED**

### **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)**

#### **5. SPECIAL ASSESSMENTS**

In August 2019 the Association's members approved a special assessment totaling \$1,377,600 (\$2,400 per unit) for cabana renovation.

#### **6. RELATED PARTY TRANSACTIONS**

The Association pays an officer of the Association \$1,000 per month to perform monthly accounting and pays another officer of the Association \$300 per month to perform secretarial tasks. The Board believes that such compensation is competitive for the services provided.

#### **7. COMMITMENTS AND CONTINGENCIES**

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.

The Association has filed suit against a vendor who was unable to perform under their contract. The ultimate outcome of this matter is not presently determinable

#### **8. 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.

#### **9. DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 9, 2023, the date that the financial statements were available to be issued.

See independent auditor's report.