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April, 2023

Dear Homeowner:

Enclosed please find the year ending financial audits for 1.31.21 and 1.31.22 for **East Bluff Unit No. 4 Community Association**. All of the financial work Avalon Management performs for you is audited by an outside, independent CPA firm each year.

The Board of Directors and The Avalon Management Group remain committed to maintaining the quality of your community while trying to contain costs without compromising the quality of services.

Thank you in advance for taking time to read the enclosed financial information. Please keep these reports with your other Association information.

Very truly yours,

Robin Bacon, CCAM, CMCA
Manager - Avalon Management

Enclosures: Financial Audits

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JANUARY 31, 2021

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Gregory V. Villard

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors and Members
East Bluff Unit No. 4 Community Association**

Opinion

I have audited the accompanying financial statements of East Bluff Unit No. 4 Community Association, which comprise the balance sheet as of January 31, 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Bluff Unit No. 4 Community Association as of January 31, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of East Bluff Unit No. 4 Community Association and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 East Bluff Unit No. 4 Community Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Bluff Unit No. 4 Community Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Bluff Unit No. 4 Community Association's ability to continue as a going concern for a reasonable period of time.

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

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property on page 10 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Gregory V. Villard
La Mesa, California
September 29, 2022

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
BALANCE SHEET
JANUARY 31, 2021

	Operating Fund	Replacement Fund	Total
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 187,169	\$ 268,368	\$ 455,537
Assessments Receivable	33,953	-	33,953
Allowance for Doubtful Accounts	(10,287)	-	(10,287)
Prepaid Insurance	13,973	-	13,973
Prepaid Income Taxes	284	-	284
Prepaid Expense	5,150	-	5,150
Total Assets	<u>\$ 230,242</u>	<u>\$ 268,368</u>	<u>\$ 498,610</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 21,302	\$ -	\$ 21,302
Prepaid Assessments	28,373	-	28,373
Refunds	883	-	883
Total Liabilities	<u>50,558</u>	<u>-</u>	<u>50,558</u>
 <u>FUND BALANCES</u>	<u>179,684</u>	<u>268,368</u>	<u>448,052</u>
 Total Liabilities and Fund Balances	<u>\$ 230,242</u>	<u>\$ 268,368</u>	<u>\$ 498,610</u>

See accompanying notes and independent auditor's report.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JANUARY 31, 2021

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular Assessments	\$ 820,808	\$ 367,200	\$ 1,188,008
Interest	22	38	60
Other Member Charges	12,136	-	12,136
Total Revenues	832,966	367,238	1,200,204
EXPENSES			
Maintenance			
Pest Control	12,261	-	12,261
Janitorial Services	6,584	-	6,584
Pool Maintenance	16,805	-	16,805
Landscaping Maintenance	188,904	-	188,904
Tree Maintenance	32,955	-	32,955
Area Repairs & Supplies	45,804	-	45,804
Plumbing Maintenance	42,794	-	42,794
Lighting/Electrical Service	10,577	-	10,577
Total Maintenance	356,684	-	356,684
Utilities			
Gas & Electric	22,986	-	22,986
Water & Sewer	103,520	-	103,520
Trash Removal	12,432	-	12,432
Total Utilities	138,938	-	138,938
General and Administrative			
Legal/Audit/Tax Preparation	48,720	-	48,720
Management & Accounting	63,700	-	63,700
Insurance	21,749	-	21,749
Office & Administrative	3,075	-	3,075
Bad Debt Expense	3,000	-	3,000
Total Administrative	140,244	-	140,244
Major Repair and Reconstruction	-	234,554	234,554
Total Expenses	635,866	234,554	870,420
Excess (Deficiency) of Revenues over Expenses	197,100	132,684	329,784
Beginning Fund Balances	(44,466)	162,734	118,268
Interfund Transfers (Net)	27,050	(27,050)	-
Ending Fund Balances	\$ 179,684	\$ 268,368	\$ 448,052

See accompanying notes and independent auditor's report.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2021

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues over Expenses	\$ 197,100	\$ 132,684	\$ 329,784
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	12,853	-	12,853
Allowance for Doubtful Accounts	(6,470)	-	(6,470)
Prepaid Insurance	(13,973)	-	(13,973)
Prepaid Income Taxes	2,032	-	2,032
Prepaid Expense	2,539	-	2,539
Interfund Receivable/Payable	(25,500)	25,500	-
Increase (Decrease) in:			
Accounts Payable	(25,593)	(16,628)	(42,221)
Prepaid Assessments	4,136	-	4,136
Income Tax Payable	(116)	-	(116)
Net Cash Provided (Used) by Operating Activities	<u>147,008</u>	<u>141,556</u>	<u>288,564</u>
Net Increase(Decrease) in Cash	147,008	141,556	288,564
Cash at Beginning of Year	13,111	153,862	166,973
Interfund Transfers (Net)	27,050	(27,050)	-
Cash at End of Year	<u>\$ 187,169</u>	<u>\$ 268,368</u>	<u>\$ 455,537</u>

See accompanying notes and independent auditor's report.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

NOTE 1. ORGANIZATION

East Bluff Unit No. 4 Community Association was incorporated on May 23, 1985, under the general nonprofit laws of the State of California. The Association was organized to provide for the management and maintenance of the commonly owned areas of the housing development which includes 199 residential units located in San Diego, California.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association's records are maintained on the modified accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when paid. The accompanying financial statements and the Association's corporate income tax returns have been prepared on the accrual method of accounting in accordance with generally accepted accounting principles whereby revenues are recognized when earned and expenses are recognized 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.

Property and Equipment

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

Personal property and equipment acquired by the Association, if material, are recorded at cost. These assets, if significant in amount, are capitalized and depreciated over their estimated useful lives using the straight-line method of depreciation.

Statement of Cash Flows

According to FASB ASC 230-10 regarding the Statement of Cash Flows, certificates of deposits and securities with original maturities of three months or less are classified as cash equivalents. Certificates of deposit and securities with original maturities over three months are considered short-term investments. The Association's policy is to treat all cash, cash equivalents, and short-term investments together as cash funds.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. INCOME TAXES

For the year ended January 31, 2021, the Association filed its tax returns as a regular corporation under IRC Section 277 and State Revenue & Tax Code 24437T, whereby the Association is generally taxed on non-membership income, such as interest earnings. There were no Federal or California income tax expenses for the year. As of January 31, 2021, the Association has prepaid \$184 in Federal and \$100 in California income taxes. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates, if any, are appropriate based on the current facts and circumstances. Further, the Association has concluded that as of January 31, 2021, there are no uncertain tax positions taken that would require recognition of a liability or disclosure in the financial statements. The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years and the California Franchise Tax Board generally for four years after the returns were filed.

NOTE 4. MEMBER ASSESSMENTS & REVENUE RECOGNITION

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of members are determined by the Board of Directors, who are elected by owners. Any excess assessments at the year-end are retained by the Association for use in the succeeding year. The Association records both the Operating and Replacement Funds assessments as revenue when due, which is in compliance with FASB ASC 606.

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has established a policy of assessing members monthly and accumulating funds for future major repairs and replacements. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association conducted a study in December 2020 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on this study.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

The Association is funding for 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 all future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

NOTE 6. ASSESSMENTS RECEIVABLE

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments and charges from unit owners. The Association's governing documents provide for various collection methods for delinquent assessments and other charges, including filing of liens on an owner's unit, foreclosing on the unit owner, and obtaining a legal judgement on an owner's other assets. As of January 31, 2021, there are \$33,953 in assessments and charges due from homeowners and \$28,373 of assessments have been paid in advance.

NOTE 7. FAIR VALUE MEASUREMENTS

Fair values are measured along the following criteria:

- Level 1 input: Quoted prices in active markets for identical assets
- Level 2 input: Significant observable inputs
- Level 3 input: Significant unobservable inputs

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents: The carrying amount approximates fair value because of the short maturities.
- Certificates of deposit: The fair value of certificates of deposit is determined based on quoted market prices.

Fair values of the Association's financial instruments at January 31, 2021 are as follows, and all values are classified as Level 1 inputs:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and Cash Equivalents	\$455,537	\$455,537

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2021

NOTE 8. CORONAVIRUS (COVID-19)

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus (COVID-19) a global pandemic. As a result, uncertainties have arisen which may negatively impact the Association's operational and financial performances. The extent of the impact and duration of the COVID-19 pandemic on the Association will depend on future developments and are unknown at this time.

NOTE 9. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 29, 2022, the date that the financial statements were available to be issued.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JANUARY 31, 2021
(unaudited)

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the components of common property as of February 1, 2021. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated Components of Fund Balance at January 31, 2021</u>
Asphalt & Concrete Surfaces	0 to 5	\$ 707,512	\$ 19,895
Buildings, Balconies & Landings	0 to 10	319,196	8,976
Buildings, Doors	0 to 11	78,526	2,208
Buildings, Pony Walls	0 to 9	969,000	27,248
Buildings, Roofs	0 to 37	2,550,261	71,712
Buildings, Stucco, Flashing & Wood	0 to 7	615,644	17,312
Electrical/Lights	0 to 25	187,878	5,283
Fence/Gates/Rails/Walls	0 to 30	423,586	11,911
Irrigation	0 to 13	327,000	9,195
Landscape	0 to 4	575,000	16,169
Mailboxes	13	35,410	996
Paint & Waterproofing	0 to 9	1,199,267	33,723
Other Common Areas	0 to 15	1,555,540	43,740
Total		<u>\$ 9,543,820</u>	<u>\$ 268,368</u>

According to the study, the annual replacement funding requirement and accumulated replacement funding requirement are \$382,301 and \$6,156,010, respectively. The study determined the funding program to be 0% funded as of the February 1, 2021.

See Independent Auditor's Report

**EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JANUARY 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members
East Bluff Unit No. 4 Community Association

Opinion

I have audited the accompanying financial statements of East Bluff Unit No. 4 Community Association, which comprise the balance sheet as of January 31, 2022, 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Bluff Unit No. 4 Community Association as of January 31, 2022, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of East Bluff Unit No. 4 Community Association and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 East Bluff Unit No. 4 Community Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Bluff Unit No. 4 Community Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Bluff Unit No. 4 Community Association's ability to continue as a going concern for a reasonable period of time.

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

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property on page 10 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Gregory V. Villard
La Mesa, California
January 4, 2023

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
BALANCE SHEET
JANUARY 31, 2022

	Operating Fund	Replacement Fund	Total
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 477,544	\$ 1,845,341	\$ 2,322,885
Assessments Receivable	14,693	-	14,693
Allowance for Doubtful Accounts	(3,937)	-	(3,937)
Prepaid Insurance	13,203	-	13,203
Prepaid Income Taxes	184	-	184
Special Assessments Receivable	-	1,052,133	1,052,133
Prepaid Expense	5,650	-	5,650
Interfund Receivable/Payable	(125,162)	125,162	-
Total Assets	<u>\$ 382,175</u>	<u>\$ 3,022,636</u>	<u>\$ 3,404,811</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 28,595	\$ -	\$ 28,595
Prepaid Assessments	33,435	-	33,435
Total Liabilities	<u>62,030</u>	<u>-</u>	<u>62,030</u>
 <u>FUND BALANCES</u>	<u>320,145</u>	<u>3,022,636</u>	<u>3,342,781</u>
 Total Liabilities and Fund Balances	<u>\$ 382,175</u>	<u>\$ 3,022,636</u>	<u>\$ 3,404,811</u>

See accompanying notes and independent auditor's report.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JANUARY 31, 2022

<u>REVENUES</u>	Operating Fund	Replacement Fund	Total
Regular Assessments	\$ 805,712	\$ 382,296	\$ 1,188,008
Special Assessments	-	2,855,458	2,855,458
Interest	209	14	223
Other Member Charges	2,423	-	2,423
Total Revenues	808,344	3,237,768	4,046,112
<u>EXPENSES</u>			
Maintenance			
Pest Control	11,084	-	11,084
Janitorial Services	7,225	-	7,225
Pool Maintenance	19,985	-	19,985
Roof Maintenance	13,960	-	13,960
Landscaping Maintenance	190,831	-	190,831
Tree Maintenance	32,150	-	32,150
Fire Watch	1,480	-	1,480
Area Repairs & Supplies	36,538	-	36,538
Plumbing Maintenance	19,246	-	19,246
Lighting/Electrical Service	7,454	-	7,454
Total Maintenance	339,953	-	339,953
Utilities			
Gas & Electric	32,392	-	32,392
Water & Sewer	88,119	-	88,119
Trash Removal	10,240	-	10,240
Total Utilities	130,751	-	130,751
General and Administrative			
Legal/Audit/Tax Preparation	20,331	-	20,331
Management & Accounting	63,700	-	63,700
Insurance	78,382	-	78,382
Office & Administrative	12,894	-	12,894
License and Permits	35	-	35
Total Administrative	175,342	-	175,342
Major Repair and Reconstruction	-	505,337	505,337
Total Expenses	646,046	505,337	1,151,383
Excess (Deficiency) of Revenues over Expenses	162,298	2,732,431	2,894,729
Beginning Fund Balances	179,684	268,368	448,052
Interfund Transfers (Net)	(21,837)	21,837	-
Ending Fund Balances	\$ 320,145	\$ 3,022,636	\$ 3,342,781

See accompanying notes and independent auditor's report.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2022

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues over Expenses	\$ 162,298	\$ 2,732,431	\$ 2,894,729
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	19,260	-	19,260
Allowance for Doubtful Accounts	(6,350)	-	(6,350)
Prepaid Insurance	770	-	770
Prepaid Income Taxes	100	-	100
Prepaid Expense	(500)	-	(500)
Special Assessment Receivable	-	(1,052,133)	(1,052,133)
Interfund Receivable/Payable	125,162	(125,162)	-
Increase (Decrease) in:			
Accounts Payable	7,293	-	7,293
Prepaid Assessments	5,062	-	5,062
Refunds	(883)	-	(883)
Net Cash Provided (Used) by Operating Activities	<u>312,212</u>	<u>1,555,136</u>	<u>1,867,348</u>
Net Increase(Decrease) in Cash	312,212	1,555,136	1,867,348
Cash at Beginning of Year	187,169	268,368	455,537
Interfund Transfers (Net)	(21,837)	21,837	-
Cash at End of Year	<u>\$ 477,544</u>	<u>\$ 1,845,341</u>	<u>\$ 2,322,885</u>

See accompanying notes and independent auditor's report.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022

NOTE 1. ORGANIZATION

East Bluff Unit No. 4 Community Association was incorporated on May 23, 1985, under the general nonprofit laws of the State of California. The Association was organized to provide for the management and maintenance of the commonly owned areas of the housing development which includes 199 residential units located in San Diego, California.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association's records are maintained on the modified accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when paid. The accompanying financial statements and the Association's corporate income tax returns have been prepared on the accrual method of accounting in accordance with generally accepted accounting principles whereby revenues are recognized when earned and expenses are recognized 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.

Property and Equipment

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

Personal property and equipment acquired by the Association, if material, are recorded at cost. These assets, if significant in amount, are capitalized and depreciated over their estimated useful lives using the straight-line method of depreciation.

Statement of Cash Flows

According to FASB ASC 230-10 regarding the Statement of Cash Flows, certificates of deposits and securities with original maturities of three months or less are classified as cash equivalents. Certificates of deposit and securities with original maturities over three months are considered short-term investments. The Association's policy is to treat all cash, cash equivalents, and short-term investments together as cash funds.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. INCOME TAXES

For the year ended January 31, 2022, the Association filed its tax returns as a regular corporation under IRC Section 277 and State Revenue & Tax Code 24437T, whereby the Association is generally taxed on non-membership income, such as interest earnings. There were no Federal or California income tax expenses for the year. As of January 31, 2022, the Association has prepaid \$184 in Federal and \$100 in California income taxes. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates, if any, are appropriate based on the current facts and circumstances. Further, the Association has concluded that as of January 31, 2022, there are no uncertain tax positions taken that would require recognition of a liability or disclosure in the financial statements. The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years and the California Franchise Tax Board generally for four years after the returns were filed.

NOTE 4. MEMBER ASSESSMENTS & REVENUE RECOGNITION

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of members are determined by the Board of Directors, who are elected by owners. Any excess assessments at the year-end are retained by the Association for use in the succeeding year. The Association records both the Operating and Replacement Funds assessments as revenue when due, which is in compliance with FASB ASC 606.

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has established a policy of assessing members monthly and accumulating funds for future major repairs and replacements. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association conducted a study in December 2021 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on this study.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022

The Association is funding for 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 all future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

NOTE 6. ASSESSMENTS RECEIVABLE

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments and charges from unit owners. The Association's governing documents provide for various collection methods for delinquent assessments and other charges, including filing of liens on an owner's unit, foreclosing on the unit owner, and obtaining a legal judgement on an owner's other assets. As of January 31, 2022, there are \$14,693 in assessments and charges due from homeowners and \$33,435 of assessments have been paid in advance.

NOTE 7. FAIR VALUE MEASUREMENTS

Fair values are measured along the following criteria:

- Level 1 input: Quoted prices in active markets for identical assets
- Level 2 input: Significant observable inputs
- Level 3 input: Significant unobservable inputs

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents: The carrying amount approximates fair value because of the short maturities.
- Certificates of deposit: The fair value of certificates of deposit is determined based on quoted market prices.

Fair values of the Association's financial instruments at January 31, 2022 are as follows, and all values are classified as Level 1 inputs:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and Cash Equivalents	\$2,322,885	\$2,322,885

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2022

NOTE 8. CONCENTRATION OF CASH AND CASH EQUIVALENTS HELD IN BANKS

The Association maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limit of \$250,000. The Association has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 9. SPECIAL ASSESSMENT

In December 2021, the Association levied a special assessment of \$2,950,000 to fund the extensive deferred repair and maintenance projects. Owners can make a one time payment with a six percent discount or six year payments according to square footage.

NOTE 10. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 4, 2023, the date that the financial statements were available to be issued.

EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
JANUARY 31, 2022
(unaudited)

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the components of common property as of January 31, 2022. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated Components of Fund Balance at January 31, 2022</u>
Asphalt & Concrete Surfaces	0 to 8	\$ 715,303	\$ 236,235
Buildings, Balconies & Landings	0 to 14	319,196	105,417
Buildings, Doors	0 to 20	141,435	46,710
Buildings, Pony Walls	0 to 9	1,096,144	362,011
Buildings, Roofs	0 to 36	2,550,261	842,246
Buildings, Stucco, Flashing & Wood	0 to 20	666,823	220,224
Contingency	0	40,000	13,210
Electrical/Lights	0 to 25	179,375	59,240
Fence/Gates/Rails/Walls	0 to 29	423,586	139,893
Irrigation	0 to 12	327,000	107,995
Landscape	0 to 9	732,141	241,796
Mailboxes	12	35,410	11,694
Other Common Areas	0 to 30	1,925,648	635,965
Total		<u>\$ 9,152,322</u>	<u>\$ 3,022,636</u>

According to the study, the annual replacement funding requirement and accumulated replacement funding requirement are \$422,592 and \$5,914,816, respectively. The study determined the funding program to be 4.23% funded as of the January 31, 2022.

See Independent Auditor's Report