



April 25, 2018

Dear Bridgehaven Homeowner:

Enclosed is a copy of the Review prepared by Owens, Moskowitz & Associates, Inc., for the fiscal year ending December 31, 2017.

It is a requirement of your CC&R's and the California Civil Code that the review be sent to each homeowner annually.

Please retain this document with the other permanent records for your home.

Sincerely,

Board of Directors
Bridgehaven Homeowner's Association

BRIDGEHAVEN HOMEOWNERS ASSOCIATION

Reviewed Financial Statements

For The Year Ended December 31, 2017

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OWENS, MOSKOWITZ AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Bridgehaven Homeowners Association

We have reviewed the accompanying financial statements of Bridgehaven Homeowners Association, which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. 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.

Emphasis-of- Matter Regarding Supplemental Information

Per California Civil Code requirements, the Association has conducted a study to estimate the remaining lives and replacement costs of the common property within the past three years. The schedule that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements has used the most current study dated September 26, 2016. The projections of this study have not been updated and may no longer be valid.

Owens, Moskowitz and Associates, Inc.

March 12, 2018

Owens, Moskowitz and Associates, Inc.

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash	\$ 122,094	\$ 250,817	\$ 372,911
Short-Term Investments	-	150,000	150,000
Assessments Receivable	1,068	-	1,068
Interest Receivable	-	100	100
Prepaid Taxes	137	-	137
Prepaid Insurance	4,830	-	4,830
Total Assets	<u>\$ 128,129</u>	<u>\$ 400,917</u>	<u>\$ 529,046</u>
LIABILITIES AND ASSOCIATION FUNDS			
Liabilities			
Accounts Payable	\$ 2,894	\$ -	\$ 2,894
Prepaid Assessments	6,688	-	6,688
Income Taxes Payable	78	-	78
Total Liabilities	9,660	-	9,660
Commitments	-	-	-
Association Funds	<u>118,469</u>	<u>400,917</u>	<u>519,386</u>
Total Liabilities And Association Funds	<u>\$ 128,129</u>	<u>\$ 400,917</u>	<u>\$ 529,046</u>

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND ACCOMPANYING NOTES

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE EXPENSES AND ASSOCIATION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUE			
Assessments	\$ 79,480	\$ 45,920	\$ 125,400
Interest Income	15	1,493	1,508
Bad Debt Recovery	1,108	-	1,108
Other Income	255	-	255
Total Revenue	80,858	47,413	128,271
EXPENSES			
Landscape Maintenance	44,162	-	44,162
Management Fees	9,576	-	9,576
Administrative	5,337	-	5,337
Legal and Review	4,950	-	4,950
Insurance	12,507	-	12,507
Rubbish Collection	171	-	171
Pest Control	4,056	-	4,056
Painting	-	7,600	7,600
General Maintenance	311	-	311
Electricity	1,991	-	1,991
Water	19,564	-	19,564
Street Sweeping	1,797	-	1,797
Custodial	600	-	600
Gate	525	769	1,294
Lighting and Electrical	2,074	-	2,074
Income Tax	187	-	187
Total Expenses	107,808	8,369	116,177
Excess (Deficiency) of Revenue Over Expenses	(26,950)	39,044	12,094
Association Funds Balance Beginning of Year	145,419	361,873	507,292
Association Funds Balance End of Year	\$ 118,469	\$ 400,917	\$ 519,386

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND ACCOMPANYING NOTES

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash Flows From Operating Activities:			
Cash Received From Members	\$ 81,123	\$ 45,920	\$ 127,043
Cash Paid To Suppliers of Goods And Services	(99,888)	(8,369)	(108,257)
Interest Received	15	1,393	1,408
Income Taxes Paid	(10)	-	(10)
Net Cash Provided By (Used In) Operating Activities	(18,760)	38,944	20,184
 Cash And Cash Equivalents At Beginning of Year	 140,854	 211,873	 352,727
 Cash And Cash Equivalents At End of Year	 \$ 122,094	 \$ 250,817	 \$ 372,911

RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Excess (Deficiency) of Revenue Over Expenses	\$ (26,950)	\$ 39,044	\$ 12,094
Adjustments To Reconcile Excess (Deficiency) of Revenue Over Expenses To Net Cash Provided By Operating Activities:			
Change In Assessments Receivable	(1,068)	-	(1,068)
Change In Interest Receivable	-	(100)	(100)
Change In Prepaid Insurance	214	-	214
Change In Other Receivable	5,654	-	5,654
Change In Prepaid Taxes	109	-	109
Change In Accounts Payable	1,865	-	1,865
Change In Prepaid Assessments	1,348	-	1,348
Change In Income Tax Payable	68	-	68
Net Cash Provided By (Used In) Operating Activities	\$ (18,760)	\$ 38,944	\$ 20,184

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND ACCOMPANYING NOTES

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 NATURE OF ORGANIZATION

Bridgehaven Homeowners Association was incorporated on May 2, 1989, in the state of California. It is responsible for the operation and maintenance of the common property within the development, which is located in the city of Westlake, California. The development consists of 38 residential units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The books of Bridgehaven Homeowners Association are maintained on the modified cash basis of accounting with entries made to convert them to the accrual basis for review and tax purposes.

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 by the original homeowners from the developer are owned by the individual owners in common and are not capitalized on the Association's financial statements.

Replacements and improvements to the real property and common areas also belong to the owners and are not capitalized on the Association's financial statements.

Cash Equivalents and Short-term Investments

Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

Use of Estimates

The Association uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3 REPLACEMENT FUND

The Association is funding contributions to capital for the future replacement of selected Association common areas. The funds are held in separate savings accounts to be used for the replacement of common areas only and not in the course of normal operations.

California Civil Code Section 5550 requires that associations identify the estimated remaining life of assets the association is obligated to maintain and the methods of funding used to defray future repair and replacement costs.

Industry practice is to engage outside consultants with experience in construction and maintenance to study and report on the estimated remaining life of assets that the Association is obligated to maintain and the costs of their repair and replacement. These reports address the adequacy of reserves and their funding.

A study of the Association's funding program for the replacement of Association common areas, conducted as of December 31, 2016, indicated the Association's ideal cash replacement fund balance was \$ 310,257 at that date. The study indicated the replacement fund was approximately 117% ideally funded.

An independent study to determine the adequacy of the funding program for the replacement of Association common areas has not been conducted for the current year. The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions. Accordingly, the current program and cash savings may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.

NOTE 4 INCOME TAXES

The Association is a corporation that is potentially taxable on all of its net income, including unspent member assessments. However, under state and federal filing elections, the Association may choose to be taxed only on its net non-membership income, which includes interest income.

The State of California allows qualifying homeowner associations to file an election to be taxed under special rules. Under this election, income from members (such as assessments) is exempt from taxation.

Federal law offers a similar election, which must be made annually. However, net non-membership income under this election is taxed at a flat rate of 30%. If the Association chooses to file as a regular corporation, it may still exclude from taxation its net membership income by making certain elections. Tax at the regular corporate tax rate is generally lower. Some of these elections, however, have come under IRS attack and certain issues are yet to be clarified.

In 2017, the Association filed as a regular corporation for federal taxes, since it had an excess of maintenance expenses over membership source income. That excess may be carried over to future periods to offset future membership source income when the Association files as a regular corporation. This election is not related to the issues involved in the recent IRS audits.

Regardless of how the Association files its taxes, non-membership income (interest) may not be offset with membership expenses (such as common area maintenance costs). That is why the Association's taxable income can be greater than its net income as recorded in the financial statements.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4. INCOME TAXES (Continued)

The years open for tax authority examination are 2014 through 2017 for federal purposes and 2013 through 2017 for state purposes.

Federal and California income taxes have been accrued based on the taxable portion of the income reported in the accompanying financial statements. Income taxes for the current year were:

2017 INCOME TAXES	FEDERAL	STATE TAX	STATE FEE	TOTAL
Income Taxes	\$ 88	\$ 89	\$ 10	\$ 187
Less: Estimated payments	(20)	(226)	-	(246)
Prepaid tax		\$ 137		\$ 137
Income tax payable	\$ 68		\$ 10	\$ 78

NOTE 5 CASH AND SHORT-TERM INVESTMENTS

The Association's cash and short-term investment balances as of December 31, 2017, were as follows:

INSTITUTION	INTEREST RATE	AMOUNT	MATURITY DATE
Union Bank	-	\$ 78,865	-
Union Bank	-	4,838	-
Union Bank	0.02%	38,391	-
Union Bank	0.05%	250,817	-
Native American Bank	1.65%	150,000	June 12, 2019
Total		\$ 522,911	

As of December 31, 2017, the Association's accounts at Union Bank totaled \$372,911 exceeding the FDIC coverage limit of \$250,000 per depositor per institution.

NOTE 6 ASSESSMENTS RECEIVABLE

Association members are subject to annual assessments (paid in monthly installments) to fund the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represent assessments and other fees due from unit owners. Most owners live within Southern California and their ability to pay would be influenced by the local economy. The Association's CC & R's provide for various collection remedies for delinquent assessments including filing of liens on the owner's unit, foreclosing on the unit owner, and obtaining judgement on other assets of the unit owner.

NOTE 7 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Association uses the allowance method of recording bad debts. This method requires an annual provision for bad debts based on past or industry experience.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 8 ASSESSMENTS

During 2017, assessments were billed at a rate of \$ 275.00 per unit per month. The rate is budgeted to remain at \$ 275.00 per unit per month for 2018.

NOTE 9 SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 12, 2018, which is the date on which the financial statements were issued.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

SUPPLEMENTAL INFORMATION

OWENS, MOSKOWITZ AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Bridgehaven Homeowners Association

Our report on our review of the basic financial statements of Bridgehaven Homeowners Association for December 31, 2017 appears on page 3. The objective of that review was to perform procedures to obtain limited assurance as a basis for reporting whether we were aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. The supplementary information in the schedule of future repairs and replacements is the representation of management. It is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the supplementary information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and, accordingly, do not express an opinion on it.

Owens, Moskowitz and Associates, Inc.

March 12, 2018

Owens, Moskowitz and Associates, Inc.

BRIDGEHAVEN HOMEOWNERS ASSOCIATION
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
DECEMBER 31, 2017
(COMPILED)

Please Note: A current year study has not been conducted.

The board of directors contracted an independent consultant who conducted a September 26, 2016 study, projected to December 31, 2016, to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements include an inflation factor of 3% and an interest rate of 1.5%.

The following table is based on the study and presents information about the components of common property.

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	2017 Funding Requirement	Recommended Fund Balances
Asphalt/Concrete	3 to 14 years	\$ 356,950	\$ 17,853	\$ 162,220
Surveillance System	3 years	5,250	560	3,675
Lighting	4 years	39,300	2,755	28,973
Patio Furniture	2 years	2,500	178	2,167
Gates/Intercom	0 to 15 years	36,500	2,321	15,333
Irrigation	0 years	28,600	1,786	28,600
Landscape	1 years	30,000	6,403	24,000
Painting	0 to 4 years	20,200	4,309	19,000
Roof	8 years	1,800	55	1,389
Monument Sign	14 years	30,000	1,281	13,200
Basketball Equipment	0 years	1,700	151	1,700
Tree Removal/Replace	0 years	10,000	2,668	10,000
		<u>\$ 562,800</u>	<u>\$ 40,320</u>	<u>\$ 310,257</u>

As shown above, the study recommends a replacement fund balance of \$310,257 as of December 31, 2016 and contributions to reserves of \$40,320 during 2017. The Association's replacement fund balance at December 31, 2016 was \$361,852 or 116.63% of the recommended fund balance.