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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Second University Village Homeowners Association

I have reviewed the accompanying financial statements of Second University Village Homeowners Association which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of revenue, expenses and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility 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; 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

My 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 American Institute of Certified Public Accountants (AICPA). Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Generally accepted accounting principles require that the supplementary information about future major repairs and replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the AICPA, who 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 did not compile, review or audit the required supplementary information and, accordingly, do not express an opinion or provide any assurance on the information.



Goleta, California
July 22, 2019

SECOND UNIVERSITY VILLAGE HOMEOWNERS ASSOCIATION

BALANCE SHEETS

December 31, 2018 and 2017

ASSETS:	Operating Fund	2018 Reserve Funds	Total Funds	2017 Total Funds
Cash in Checking	\$5,355	\$56,494	\$61,849	\$109,793
Assessments Receivable	6,456		6,456	6,534
Less: Allowance for Doubtful Accounts	(1,749)		(1,749)	(3,386)
Prepaid Insurance	3,872		3,872	6,552
Workers Comp Deposit			0	940
Prepaid Expense	87		87	1,075
Prepaid Income Taxes	219		219	219
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TOTAL ASSETS	\$14,240	\$56,494	\$70,734	\$121,727
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LIABILITIES AND FUND BALANCES:				
Liabilities:				
Prepaid Assessments	\$168		\$168	\$680
Accounts Payable	4,679		4,679	2,496
Payroll Taxes Payable			0	169
Income Taxes Payable			0	0
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TOTAL LIABILITIES	\$4,847	\$0	\$4,847	\$3,345
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FUND BALANCES	9,393	56,494	65,887	118,382
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TOTAL LIABILITIES AND FUND BALANCES	\$14,240	\$56,494	\$70,734	\$121,727
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The accompanying Notes and Accountant's Review Report
are an integral part of these financial statements.

SECOND UNIVERSITY VILLAGE HOMEOWNERS ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Years Ended December 31, 2018 and 2017

	Operating Fund	2018 Reserve Funds	Total Funds	2017 Total Funds
REVENUES				
Operating Assessments	\$81,302	\$17,423	\$98,725	\$98,726
Late Fees	627		627	952
Bad Debt Recovery	1,637		1,637	0
Other Income	745		745	1,820
Interest Income		98	98	138
TOTAL REVENUES	\$84,311	\$17,521	\$101,832	\$101,636
EXPENSES				
Utilities				
Electricity	\$2,487		\$2,487	\$2,729
Gas	3,297		3,297	3,867
Trash	1,869		1,869	2,583
Water	4,030		4,030	6,199
Total Utilities	\$11,683	\$0	\$11,683	\$15,378
Common Area Maintenance				
Landscape Maintenance	\$13,061		\$13,061	\$19,270
Pool	14,180	12,628	26,808	13,150
Cleaning	1,766		1,766	0
Repairs and Maintenance	6,672		6,672	3,627
Wages	1,850		1,850	4,325
Payroll Costs	2,125		2,125	1,187
Backflow Valve		4,767	4,767	0
Clubhouse		16,603	16,603	0
Fences		20,971	20,971	0
Locks			0	1,793
Playground		4,109	4,109	11,559
Tennis Court		6,575	6,575	0
Water Heater		4,631	4,631	0
Total Common Area Maintenance	\$39,654	\$70,284	\$109,938	\$54,911
Insurance	\$9,391		\$9,391	\$9,814

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SECOND UNIVERSITY VILLAGE HOMEOWNERS ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Years Ended December 31, 2018 and 2017

	Operating Fund	2018 Reserve Funds	Total Funds	2017 Total Funds
Management and General Expenses				
Accounting	\$10,050		\$10,050	\$12,550
Professional Services	7,303		7,303	2,505
Doubtful Account Expense			0	957
Website	107		107	138
Administrative	4,052		4,052	3,829
Telephone	692		692	1,149
Taxes and Licenses	1,111		1,111	1,116
Income Taxes	0		0	0
Total Management and General Expense	<u>\$23,315</u>	<u>\$0</u>	<u>\$23,315</u>	<u>\$22,244</u>
Total Expenses	<u>\$84,043</u>	<u>\$70,284</u>	<u>\$154,327</u>	<u>\$102,347</u>
Net Income (loss)	\$268	(\$52,763)	(\$52,495)	(\$711)
Fund Balance-Beginning of Year	9,099	109,283	118,382	119,093
Interfund Transfer	26	(26)	0	0
Fund Balance-End of Year	<u><u>\$9,393</u></u>	<u><u>\$56,494</u></u>	<u><u>\$65,887</u></u>	<u><u>\$118,382</u></u>

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SECOND UNIVERSITY VILLAGE HOMEOWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018 Total Funds	2017 Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of revenues over expenses	(\$52,495)	(\$711)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
(Increase) decrease in Assessments Receivable	(1,559)	133
(Increase) decrease in Prepaid Insurance	2,680	(14)
(Increase) decrease in Workers Comp Deposit	940	0
(Increase) decrease in Prepaid Expenses	988	693
(Increase) decrease in Prepaid Taxes	0	0
(Decrease) increase in Accounts Payable	2,183	1,400
(Decrease) increase in Prepaid Assessments	(512)	(1,621)
(Decrease) increase in Payroll Taxes Payable	(169)	93
Net Cash Provided (Used) by Operating Activities	(\$47,944)	(\$27)
Cash Provided (Used) by Investing Activities		
None		
Net Change in Cash	(\$47,944)	(\$27)
Cash at beginning of year	109,793	109,820
Interfund Transfer	0	0
Cash at end of year	<u>\$61,849</u>	<u>\$109,793</u>
Supplemental Disclosure:		
Income Taxes Paid	<u>\$0</u>	<u>\$0</u>

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are an integral part of these financial statements.

SECOND UNIVERSITY VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017
(See Accountant's Review Report)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Second University Village Homeowners Association was incorporated September 11, 1969. This planned development association consists of 269 homes located in Goleta, California. The association's primary purpose is to maintain, protect and manage the common areas owned by the members such as recreation facilities and related areas. The association does not maintain any of the homes or individual lots or public streets within the association.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The association has rights and remedies through its governing documents and the California Civil Code to institute collection action, place liens and/or foreclose to compel payment of assessments. Any excess operating assessments are carried forward to the following year's assessments.

An allowance for doubtful accounts has been established for balances which are very delinquent and for which normal collection activity has not yet been successful.

Method of Accounting

The association employs the accrual method of accounting, recognizing income when it is earned and expenses as they are incurred. In addition, the association maintains the following two funds:

Operating Fund - Pays for all the ordinary day-to-day expenses of the association such as utilities, insurance, administration and minor maintenance and landscaping.

Reserve Funds - A portion of the quarterly assessment is periodically allocated into a segregated reserve fund to meet the anticipated future major repair and replacement obligations of the association's common area. See supplementary information following.

Cash and Cash Equivalents

For the Statements of Cash Flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SECOND UNIVERSITY VILLAGE HOMEOWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017
(See Accountant's Review Report)

NOTE 2 – DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 22, 2019, the date the financial statements were available to be issued.

NOTE 3 - REPLACEMENT FUNDING PROGRAM - RESTRICTED FUNDS

The association is funding for the future replacement of common areas. These funds are set aside in the money market account and are not to be used in the course of normal operations.

An analysis to determine the adequacy of the replacement funds was prepared in February 2019 by an independent reserve study preparer. The table included in the supplementary information is based upon this analysis. The study recommended funding \$27,777 for reserve fund expenditures in 2019. The 2019 association allocated \$15,083 towards reserve fund expenditures and funding.

Actual expenditures and the timing of these expenditures may vary substantially from the estimates presented. To the extent that current replacement funds are inadequate, the association has the right to increase the monthly assessment, pass special assessments subject to California law or delay replacement until funds are available.

NOTE 4 - INCOME TAXES

The association is a mutual benefit corporation incorporated in the state of California. Although the association is a tax-exempt membership corporation, it can pay taxes on its investment earnings and nonmembership income. For the years ended December 31, 2018, the association has elected to be taxed as a homeowners association under Internal Revenue Code Section 528 for income tax purposes. Membership income may be excluded from taxation if certain elections are made.

As of December 31, 2018, the tax years that remain subject to examination by taxing authorities begin with 2015.

SECOND UNIVERSITY VILLAGE HOMEOWNERS ASSOCIATION

Supplementary Information on Future Major Repairs and Replacements

December 31, 2018

The association had its reserve study updated by an independent reserve study preparer in February 2019. Cost information was obtained from historical cost data, published information, consultation with association contractors and/or the preparer's own experience. The following table is based upon the analysis and presents significant information about the components of common property.

Components	Estimated Remaining Lives (Years)	Estimated Current Replacement Costs 2019	Allocated Funding Fiscal Year 2019	12/31/18 Reserves Funded
Clubhouse	0 - 29	\$71,100		
Paving	0 - 9	64,950		
Pools	0 - 29	63,500		
Pool Deck	0 - 9	104,060		
Security/Fencing	0 - 49	43,850		
Playground	0 - 12	36,000		
Landscaping	10	8,000		
Sports Courts	0 - 20	30,400		
Contingency	0	500		
		<u>\$422,360</u>	<u>\$15,083</u>	<u>\$56,424</u>

See Accountant's Report