

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT
YEAR ENDED
DECEMBER 31, 2023

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Balance Sheet.....	3
Statement of Revenues, Expenses, and Changes in Fund Balances.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Future Major Repairs and Replacements	10
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues and Expenses – Budget and Actual	11



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors and Members
Sea View Villas Condominium Association
Hermosa Beach, California

We have reviewed the accompanying financial statements of the Sea View Villas Condominium Association (the Association) (a California non-profit corporation) which comprise the balance sheet as of December 31, 2023, 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 company 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.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modification 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it. The required supplementary information materially departs from the requirements of the Financial Accounting Standards Board as it represents future major repairs and maintenance as of December 31, 2022, not 2023, which is the most recent available report.

Supplementary Information

The Schedule of Operating Revenues and Expenses – Budget and Actual on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
September 10, 2024

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 13,478	\$ 70,055	\$ 83,533
Investments	<u>-</u>	<u>523,485</u>	<u>523,485</u>
<u>TOTAL ASSETS</u>	<u>\$ 13,478</u>	<u>\$ 593,540</u>	<u>\$ 607,018</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 3,912	\$ -	\$ 3,912
Unearned revenue	5,299	-	5,299
Contract liabilities (assessments received in advance)	<u>-</u>	<u>593,540</u>	<u>593,540</u>
<u>TOTAL LIABILITIES</u>	9,211	593,540	602,751
<u>FUND BALANCE</u>	<u>4,267</u>	<u>-</u>	<u>4,267</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 13,478</u>	<u>\$ 593,540</u>	<u>\$ 607,018</u>

See accompanying notes and independent accountant's review report

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Member assessments	\$ 174,204	\$ 171,504	\$ 345,708
Change in contract liabilities	-	(129,898)	(129,898)
Miscellaneous income	1,350	-	1,350
Fines and late charges	687	-	687
Interest income	-	3,639	3,639
	<u>-</u>	<u>3,639</u>	<u>3,639</u>
<u>TOTAL REVENUES</u>	<u>176,241</u>	<u>45,245</u>	<u>221,486</u>
<u>EXPENSES</u>			
General and administrative	29,366	-	29,366
Maintenance	42,209	-	42,209
Repairs	33,542	45,644	79,186
Utilities	88,468	-	88,468
	<u>88,468</u>	<u>-</u>	<u>88,468</u>
<u>TOTAL EXPENSES</u>	<u>193,585</u>	<u>45,644</u>	<u>239,229</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</u>	<u>(17,344)</u>	<u>(399)</u>	<u>(17,743)</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>22,010</u>	<u>-</u>	<u>22,010</u>
Transfer between funds	(399)	399	-
	<u>(399)</u>	<u>399</u>	<u>-</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 4,267</u>	<u>\$ -</u>	<u>\$ 4,267</u>

See accompanying notes and independent accountant's review report

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess (deficiency) of revenues over expenses	\$ (17,344)	\$ (399)	\$ (17,743)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) from operating activities:			
Increase (decrease) in:			
Accounts payable and accrued expenses	551	-	551
Unearned revenue	(1,910)	-	(1,910)
Contract liabilities	<u>-</u>	<u>129,898</u>	<u>129,898</u>
<u>NET CASH FROM OPERATING ACTIVITIES</u>	<u>(18,703)</u>	<u>129,499</u>	<u>110,796</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of investments	<u>-</u>	<u>(523,485)</u>	<u>(523,485)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interfund transfers	<u>(399)</u>	<u>399</u>	<u>-</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	<u>(19,102)</u>	<u>(393,587)</u>	<u>(412,689)</u>
Cash and cash equivalents, beginning of year	<u>32,580</u>	<u>463,642</u>	<u>496,222</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u><u>\$ 13,478</u></u>	<u><u>\$ 70,055</u></u>	<u><u>\$ 83,533</u></u>

See accompanying notes and independent accountant's review report

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – NATURE OF ORGANIZATION

Sea View Villas Condominium Association (the “Association”) is a mutual benefit corporation incorporated in the State of California on November 22, 1999. The Association is responsible for the operation and maintenance of the common property within the development. The Association consists of 33 residential units, located in Hermosa Beach, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America. The Accounting Standards Codification as produced by the Financial Accounting Standards Board is the sole source of authoritative GAAP for non-governmental entities.

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.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Interest Income

Interest income is recognized when earned and allocated to the operating and replacement funds in proportion to the interest-bearing deposit of each fund. The Association’s policy is to account for fund expenditures using fund interest income before fund assessment income.

Member Assessments and Allowance for Credit Losses

Association members are subject to monthly 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 assessment are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessment are satisfied when these funds are expended for their designated purpose.

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Member Assessments and Allowance for Credit Losses (Continued)

Assessment receivables at the balance sheet date are stated at amounts expected to be collected from outstanding assessments from members. The Association's policy is to retain legal counsel and place liens on properties of homeowners whose assessments are thirty days or more delinquent. Assessments collected in advance are deferred and recognized as revenue in the year in which the related services are rendered.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

Contract Liabilities (Assessments Received in Advance)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the assessments.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment acquired by the Association are recorded at cost. Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Association maintains multiple bank accounts with local financial institutions. From time to time, balances in the accounts may exceed the FDIC insured limits of \$250,000. As of December 31, 2023, \$371,532 of the Association deposits with financial institutions was in excess of federal depository insurance limits.

NOTE 4 – INCOME TAXES

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2023. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations.

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 – INCOME TAXES (CONTINUED)

In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions. The Association has elected to file as a membership homeowners association in accordance with Internal Revenue Code Section 277. Under this section, the Association may exclude from taxation membership income, which generally consist of revenue from uniform assessments to owners. Therefore, non-membership income (such as interest income less related expenses) is subject to Federal tax at the rate of 30% and state income tax at the rate of 8.84%. For the year ended December 31, 2023, a provision has been made for Federal and state taxes resulting in no tax liability. As of December 31, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management analyzed the tax position taken by the Association and has concluded that as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. The Association's federal tax filings are subject to examination for three years and four years for California.

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

California Civil Code Section 5300 and the Association's governing documents require that each proposed annual budget includes provisions for future major repairs and replacements. Accumulated funds are presented on the accompanying balance sheet as a contract liability (assessments received in advance) on December 31, 2023, are held in separate accounts and are generally not available for operating purposes.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the Association's 2022 reserve study and management estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, pass special assessments, obtain loans, or delay major repairs and replacements until funds are available.

NOTE 6 – ACCOUNTS RECEIVABLE

The Association governing documents provide for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgement on other assets of the unit owner. In the absence of foreclosures or personal bankruptcy proceedings of the delinquent member, the Association will prevail in most instances.

The Association treats all uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of experience and susceptibility to factors outside the Association's control.

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Replacement Fund

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and amounts previously accumulated in the repair and replacement fund. Accordingly, the annual recommended funding requirement of approximately \$172,000 has been included in the budget for the year ending December 31, 2024. Funds are accumulated in the repair and replacement fund based on estimates of future needs for repairs and replacements of common area property components.

The Association has incurred substantial expenses as a result of stucco and painting issues; and has sustained significant repair costs to the woodwork and wood fencing. Furthermore, in recent years the Board of Directors has incorporated the aforementioned, and other components as discovered through inspection of Association property, to the reserve study, which has resulted in a larger estimated current replacement cost. The high cost of repairs and budget constraints has slowed the Association's ability to contribute to the replacement fund to the desired levels and to ease the impact of the unforeseen cost of recent repairs and replacements. As indicated in the reserve study, the Board of Directors has adopted a plan to fund the Association's replacement to 30% of the theoretically ideal balance within the next 15 years, and achieving 40% funding by the year 2039.

For these reasons, and that actual expenditures and investment income may vary from these estimated amounts, and the variations may be material, amounts being accumulated in the replacement fund may not be sufficient to meet all future repairs and replacements. If additional funds are necessary, the Association has the right to increase regular assessments, approve special assessments, or delay major repairs and replacements until the funds are available.

Commitments

The Association has contracted with various vendors for the administration and maintenance of the common property. These contracts have different expiration dates and renewal terms.

Insurance Deductibles

The Association's insurance policy contains a deductible in the amount of \$10,000. The Association is responsible for losses up to this amount if common property damage claims occur. Accordingly, if such funds are needed, the Association may increase assessments, pass special assessments, obtain loans, or delay repairs and replacements until funds are available.

Legal

The Association may be party to various legal actions normally associated with common interest communities, such as collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future condition of the Association

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2024, the date on which the financial statements were available to be issued. There was no material subsequent event that required recognition or additional disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(AS OF DECEMBER 31, 2022)

COMPONENTS	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST
Roof	30 to 45 Years	\$ 160,710
Painting	5 to 10 Years	74,550
Streets/Drives	10 to 45 Years	64,880
Elevators	20 to 35 Years	101,730
Awnings	8 to 25 Years	28,450
Mailboxes	40 Years	4,280
Furniture	15 Years	8,830
Lights	30 to 40 Years	146,770
Boiler	10 to 20 Years	21,400
Plumbing	12 to 30 Years	171,170
Flooring	15 Years	4,000
Pool/Spa	12 to 15 Years	26,780
Irrigation	15 to 20 Years	13,830
Walkway Decking	30 Years	27,270
Security Gates/Fencing	30 to 45 Years	102,380
Doors	45 Years	17,800
Railings	30 to 45 Years	156,800
Gutters/Downspouts	10 to 15 Years	48,600
Wood	30 Years	59,310
Waterproofing	40 Years	345,000
Miscellaneous	12 to 20 Years	55,180

See Independent Accountant's Review Report

SUPPLEMENTARY INFORMATION

SEA VIEW VILLAS CONDOMINIUM ASSOCIATION
SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
GENERAL AND ADMINISTRATIVE			
Accounting and audit	\$ 2,414	\$ 2,450	\$ (36)
Bank service charges	10	-	10
General insurance	18,324	18,763	(439)
Legal fees	4,450	3,505	945
Licenses and permits	884	2,322	(1,438)
Locks and keys	50	527	(477)
Management fee extras	575	975	(400)
Miscellaneous expenses	30	82	(52)
Miscellaneous supplies	240	-	240
Office supplies and expenses	1,000	440	560
State income tax	-	16	(16)
Postage	300	286	14
	<u>\$ 28,277</u>	<u>\$ 29,366</u>	<u>\$ (1,089)</u>
MAINTENANCE			
Boiler service contract	\$ 600	\$ 600	\$ -
Elevator maintenance contract	2,304	2,268	36
Janitorial service contract	7,800	6,600	1,200
Landscaping contract	9,360	9,360	-
Management contract	9,000	9,000	-
Pest control contract	1,680	1,920	(240)
Pool/Spa service contract	2,800	2,815	(15)
Termite control contract	1,500	-	1,500
Trash service contract	9,958	9,646	312
	<u>\$ 45,002</u>	<u>\$ 42,209</u>	<u>\$ 2,793</u>
REPAIRS			
Boiler	\$ 2,000	\$ 4,989	\$ (2,989)
Electrical	500	-	500
Elevator	500	-	500
Furniture & equipment	125	-	125
Landscape	1,000	536	464
Metal	100	850	(750)
Painting	50	-	50
Plumbing	1,400	7,935	(6,535)
Pools and spa	2,700	3,899	(1,199)
Security and fire system	2,035	9,712	(7,677)
Security gates	200	771	(571)
Tree trimming	1,960	4,850	(2,890)
Wood	200	-	200
Other repairs	200	-	200
	<u>\$ 12,970</u>	<u>\$ 33,542</u>	<u>\$ (20,572)</u>
UTILITIES			
Electricity	\$ 16,350	\$ 16,502	\$ (152)
Gas	26,560	29,663	(3,103)
Telephone	2,230	3,243	(1,013)
Cable and Internet	20,458	19,187	1,271
Water/Sewer	21,430	19,873	1,557
	<u>\$ 87,028</u>	<u>\$ 88,468</u>	<u>\$ (1,440)</u>

See Independent Accountant's Review Report