

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION

KENTFIELD, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2023 AND DECEMBER 31, 2022

Hiep Pham, CPA Inc.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Kent Woodlands Property Owners Association
Kentfield, California

I have reviewed the accompanying statements of Kent Woodlands Property Owners Association (a nonprofit mutual benefit corporation) which comprise the balance sheets as of December 31, 2023 and December 31, 2022, and the related statements of revenues, 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 Kent Woodlands Property Owners 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 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

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 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.

I am required to be independent of Kent Woodlands Property Owners Association and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Kent Woodlands Property Owners Association has not estimated future common property maintenance expenditures because the amounts are considered immaterial and, therefore, has not presented supplemental information of estimated future expenditures from its reserve fund and its future funding requirements 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.

Hiep Pham, CPA Inc.

Fremont, California
March 18, 2024

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION

BALANCE SHEETS

December 31, 2023 and December 31, 2022

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total 2023</u>	<u>Total 2022</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 126,502	\$ 75,000	\$ 201,502	\$ 245,360
Prepaid expenses and other current assets	<u>1,250</u>	<u>-</u>	<u>1,250</u>	<u>3,222</u>
Total current assets	<u>127,752</u>	<u>75,000</u>	<u>202,752</u>	<u>248,582</u>
Non-current assets:				
Operating lease right-of-use asset, net of accumulated amortization	62,776	-	62,776	83,322
Land	<u>4,490</u>	<u>-</u>	<u>4,490</u>	<u>4,490</u>
Total non-current assets	<u>67,266</u>	<u>-</u>	<u>67,266</u>	<u>87,812</u>
Total assets	<u>\$ 195,018</u>	<u>\$ 75,000</u>	<u>\$ 270,018</u>	<u>\$ 336,394</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 20,718	\$ -	\$ 20,718	\$ 13,713
Operating lease liability, current portion	<u>21,585</u>	<u>-</u>	<u>21,585</u>	<u>20,765</u>
Total current liabilities	<u>42,303</u>	<u>-</u>	<u>42,303</u>	<u>34,478</u>
Long-term liabilities:				
Operating lease liability, net of current portion	<u>41,812</u>	<u>-</u>	<u>41,812</u>	<u>63,397</u>
Total long-term liabilities	<u>41,812</u>	<u>-</u>	<u>41,812</u>	<u>63,397</u>
Total liabilities	<u>84,115</u>	<u>-</u>	<u>84,115</u>	<u>97,875</u>
Fund balances:				
Fund balance	<u>110,903</u>	<u>75,000</u>	<u>185,903</u>	<u>238,519</u>
Total fund balances	<u>110,903</u>	<u>75,000</u>	<u>185,903</u>	<u>238,519</u>
Total liabilities and fund balances	<u>\$ 195,018</u>	<u>\$ 75,000</u>	<u>\$ 270,018</u>	<u>\$ 336,394</u>

The accompanying notes are an integral part of these financial statements.

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

For the Years Ended December 31, 2023 and December 31, 2022

	Operating Fund	Reserve Fund	Total 2023	Total 2022
Revenues:				
Residential assessments	\$ 156,629	\$ -	\$ 156,629	\$ 137,739
Design review fees	23,146	-	23,146	57,399
Disclosure package fees	3,520	-	3,520	4,840
Interest and other income	16,083	-	16,083	3,489
Total revenues	<u>199,378</u>	<u>-</u>	<u>199,378</u>	<u>203,467</u>
Expenses:				
Office staff payroll	48,108	-	48,108	46,710
Design review	65,748	-	65,748	67,025
Office expenses	17,810	-	17,810	16,725
Lease expense	23,579	-	23,579	23,444
Fire safety	6,295	-	6,295	7,650
Insurance	12,118	-	12,118	11,062
Accounting	4,900	-	4,900	4,900
Legal fees	23,667	-	23,667	12,495
Taxes and other fees	18,335	-	18,335	15,475
Social committee	17,381	-	17,381	16,687
Utilities	914	-	914	1,009
Landscaping and maintenance services	10,847	-	10,847	7,740
LPR cameras	2,292	-	2,292	2,292
Total expenses	<u>251,994</u>	<u>-</u>	<u>251,994</u>	<u>233,214</u>
Revenue in excess of expenses	(52,616)	-	(52,616)	(29,747)
Fund balances, beginning of period	163,519	75,000	238,519	272,266
Prior period adjustment	-	-	-	(4,000)
Fund balances, end of period	<u>\$ 110,903</u>	<u>\$ 75,000</u>	<u>\$ 185,903</u>	<u>\$ 238,519</u>

The accompanying notes are an integral part of these financial statements.

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and December 31, 2022

	Operating Fund	Reserve Fund	Total 2023	Total 2022
Cash flows from operating activities:				
Revenue in excess of expenses	\$ (52,616)	\$ -	\$ (52,616)	\$ (29,747)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:				
Changes in certain assets and liabilities:				
Prepaid expenses and other current assets	1,972	-	1,972	(106)
Accounts payable and other current liabilities	7,005	-	7,005	7,374
Net cash provided (used) by operating activities	(43,639)	-	(43,639)	(22,479)
Cash flows from financing activities:				
Amortization of operating lease	(219)	-	(219)	840
Net cash provided (used) by financing activities	(219)	-	(219)	840
Net increase (decrease) in cash	(43,858)	-	(43,858)	(21,639)
Cash and cash equivalents, beginning of period	170,360	75,000	245,360	266,999
Cash and cash equivalents, end of period	\$ 126,502	\$ 75,000	\$ 201,502	\$ 245,360

The accompanying notes are an integral part of these financial statements.

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and December 31, 2022

NOTE 1 - GENERAL

Kent Woodlands Property Owners Association (the Association) is a California nonprofit mutual benefit corporation that was established on June 1, 1966. The Association's purpose is to enforce the rules and regulations adopted by the Board of Directors, the covenants, conditions and restrictions as set forth in the *First Restated Declaration of Covenants, Conditions, and Restrictions for Kent Woodlands*, and the deed restrictions encumbering certain lots and parcels within the Kent Woodlands real estate common interest development located in the County of Marin, California. The Association was also organized to own, repair, maintain and manage the common property of Kent Woodlands, and to otherwise enhance and promote the use and enjoyment of Kent Woodlands.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Association are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of the period.

B. Fund Accounting and Reserve Fund

The Association uses fund accounting, which requires that funds, such as operating funds and reserve funds, be classified separately for accounting and reporting purposes. The Association maintains a reserve fund primarily to pay for extraordinary expenditures that cannot be funded by the operating fund, such as substantial maintenance of its common property or legal action necessary to enforce its regulations. Disbursements from the reserve fund and operating fund are generally at the discretion of the Board of Directors. Disbursements from the reserve fund generally may be made only for designated purposes.

C. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments with a maturity of three months or less.

D. Property and Equipment

Property and equipment is depreciated using straight-line methods over their estimated useful lives ranging from three to seven years. As of December 31, 2023 and December 31, 2022, the Association's property consists of land with a historical cost of \$4,490 and \$4,490, respectively. No depreciation expense is taken on the land. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its useful life are charged to expense as incurred. Any impaired assets will be written down to their actual value.

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Residential Assessments and Allowance for Uncollectible Assessments

Members are subject to an annual assessment to provide funds for the Association's operating expenses and the funding of its reserve fund. The annual budget and member's assessments are determined by the Association's Board of Directors. Assessments receivable represents fees due from members at the balance sheet date. At December 31, 2023 and December 31, 2022, assessments receivable were immaterial. The Board of Directors has the authority to levy special assessments against its members and their lots. Certain assessments require prior membership majority approval. Specific related information is available in the *First Restated Declaration of Covenants, Conditions, and Restrictions for Kent Woodlands*.

F. Revenue Recognition

Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

G. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

H. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Association carries commercial insurance.

I. Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 18, 2024, the date the financial statements were available to be issued.

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and December 31, 2022

NOTE 3 - INCOME TAXES

Property owner associations may be taxed either as an owner association or as a regular corporation. For the years ended December 31, 2023 and December 31, 2022, the Association was taxed as an owner association. Under that election, the Association is taxed on its nonexempt function net income, such as interest income and certain nonexempt function expenses, at a flat rate of 30%. Exempt function income, which consists of member assessments and other member fees, is not taxable.

The Association has analyzed the various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. Additionally, the Association believes that no accrual for tax liabilities is necessary. Therefore, no reserves for uncertain income tax positions have been accrued.

NOTE 4 - CASH AND CASH EQUIVALENTS

The cash balances as of December 31 are as follows:

	2023	2022
Bank of America	\$ 21,173	\$ 12,663
Charles Schwab	180,329	232,697
Total	\$ 201,502	\$ 245,360
Operating Fund	\$ 126,502	\$ 170,360
Reserve Fund	75,000	75,000
Total	\$ 201,502	\$ 245,360

The account balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RESERVE FUND

The Association maintains a reserve fund primarily to pay for extraordinary expenditures that cannot be funded by the operating fund, such as substantial maintenance of its common property or legal action necessary to enforce its regulations. Disbursements from the reserve fund are generally at the discretion of the Board of Directors. Disbursements from the reserve fund generally may be made only for designated purposes. The Reserve Fund as of December 31, 2023 and December 31, 2022 was \$75,000 and \$75,000, respectively.

NOTE 6 - OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY

The Association has entered into an operating lease to rent the facility at 1010 Sir Francis Drake Blvd. Suite 200, Kentfield, CA 94904 pursuant to a lease agreement that expires on October 31, 2026. The rent expense is currently \$1,972 per month and the security deposit not applicable towards last month's rent is \$1,250.

Rent expense for the years ended December 31, 2023 and December 31, 2022 was \$23,579 and \$23,444, respectively.

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and December 31, 2022

NOTE 6 - OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY (concluded)

Amounts recognized as right-of-use assets related to operating leases are included in the accompanying Balance Sheet, while related lease liabilities are included in the operating lease liabilities. As of December 31, 2023, right-of-use assets and lease liabilities related to operating leases were as follows:

Operating lease right-of-use asset	\$ 103,430
Less accumulated amortization	<u>(40,654)</u>
Operating lease right-of-use asset, net	<u>\$ 62,776</u>
Operating lease liability:	
Operating lease liability, current portion	\$ 21,585
Operating lease liability, net of current portion	<u>41,812</u>
Total	<u>\$ 63,397</u>

During the year ended December 31, 2023, the Association had the following cash and non-cash activities associated with the leases:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 23,664

Future minimum lease payments under these agreements are as follows:

Year Ending December 31 2024	\$ 23,664
Year Ending December 31 2025	23,664
Year Ending December 31 2026	<u>19,720</u>
Total	67,048
Less effects of discounting	<u>(3,651)</u>
Lease liabilities recognized	<u>\$ 63,397</u>

NOTE 7 - PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 2023, beginning net assets have been adjusted by \$4,000 to decrease the net asset balance as of the beginning of the year. Other current liabilities was understated in the previous year.

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and December 31, 2022

NOTE 8 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association’s financial assets as of December 31, reduced by amounts not available for general use within one year of the year-end date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and other reserves that could be drawn upon if the governing board approves that action.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ <u>201,502</u>	\$ <u>245,360</u>
Total financial assets	201,502	245,360
Reserve fund	(75,000)	(75,000)
Donor-imposed restrictions	<u> -</u>	<u> -</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ <u>126,502</u></u>	<u>\$ <u>170,360</u></u>