

**TERRACE VILLAGE MAINTENANCE CORPORATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**TABLE OF CONTENTS**

Independent Accountant's Report	1
Financial Statements	
Balance Sheet	2
Statement of Revenues and Expenses	3
Statement of Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 8

# MICHAEL J. FERRARA

*Certified Public Accountant*

2340 Tampa Avenue • Suite C • El Cajon, CA 92020 • 619/ 698-4291 • email: mjfcpa@juno.com

## INDEPENDENT ACCOUNTANT'S REPORT

### **Terrace Village Maintenance Corporation**

Reviewed Financial Statements

December 31, 2013

Board of Directors and Members:

I have reviewed the accompanying balance sheet of Terrace Village Maintenance Corporation as of December 31, 2013, and the related statement of revenues and expenses, statement of changes in fund balances and statement of cash flows for the year then ended. A review includes primarily applying procedures to management's financial data and making inquiries of the Association's management and board of directors. 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 and the board of directors are 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

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.

Current supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements has been omitted. Such missing information, although not a 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 for placing the basic financial statements in an appropriate operational, economic, or historical context.



February 19, 2014

Michael J. Ferrara, C.P.A.

Member: American Institute of Certified Public Accountants  
Member: California Society of Certified Public Accountants

Terrace Village Maintenance Corporation  
Balance Sheet  
December 31, 2013

<u>Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash	\$ 35,970	\$ 112,859	\$ 148,829
Assessments Receivable	3,004		3,004
Prepaid Insurance	2,780		2,780
Due From Operating Fund		37,282	*
<b>Total Assets</b>	<b>\$ 41,754</b>	<b>\$ 150,141</b>	<b>\$ 154,613</b>
<u>Liabilities</u>			
Accounts Payable	\$ 2,931	\$ -	\$ 2,931
Prepaid Assessments	1,541		1,541
Due To Replacement Fund	37,282		*
<b>Total Liabilities</b>	<b>41,754</b>	<b>-</b>	<b>4,472</b>
<u>Fund Balance</u>	-	150,141	150,141
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 41,754</b>	<b>\$ 150,141</b>	<b>\$ 154,613</b>

\* Note: Interfund Accounts Eliminated From Totals

See Accompanying Notes and Independent Accountant's Report

Terrace Village Maintenance Corporation  
Statement of Revenues and Expenses  
For the Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Total
Revenues:			
Regular Assessments	\$ 80,000	\$ 12,012	\$ 92,012
Interest		180	180
Other	3,474		3,474
Total Revenues	83,474	12,192	95,666
Expenses:			
Administrative-			
Insurance	6,267		6,267
Management Contract	7,200		7,200
Licenses, Fees & Permits	325		325
Other Administrative	1,164		1,164
Review & Tax Preparation	1,220		1,220
Total Administrative	16,176	0	16,176
Maintenance-			
Elevator	2,642		2,642
Janitorial	4,450		4,450
Landscaping	3,967	22,500	26,467
Pest Control	495		495
Pool	1,560		1,560
Repairs & Maintenance	17,574		17,574
Total Maintenance	30,688	22,500	53,188
Utilities-			
Gas & Electricity	7,556		7,556
Refuse Removal	3,197		3,197
Water & Sewer	11,312		11,312
Total Utilities	22,065	0	22,065
Total Expenses	68,929	22,500	91,429
Excess Revenues / (Expenses)	\$ 14,545	\$ (10,308)	\$ 4,237

See Accompanying Notes and Independent Accountant's Report

Terrace Village Maintenance Corporation  
Statement of Changes in Fund Balances  
For the Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Total
Fund Balance - Beginning of Year	\$ -	\$ 145,904	\$ 145,904
Excess Revenues / (Expenses)	14,545	(10,308)	4,237
Fund Transfers	<u>(14,545)</u>	<u>14,545</u>	<u>0</u>
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ 150,141</u></u>	<u><u>\$ 150,141</u></u>

See Accompanying Notes and Independent Accountant's Report



Terrace Village Maintenance Corporation  
Statement of Cash Flows  
For the Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Total
Cash Flows - Operating Activities:			
Assessments	\$ 78,730	\$ 12,000	\$ 90,730
Interest		180	180
Other Income Received	3,474		3,474
Administrative Disbursements	(16,166)		(16,166)
Maintenance Disbursements	(53,493)		(53,493)
Utility Disbursements	(22,206)		(22,206)
<b>* Net Inc/(Dec) in Cash From Operating Activities</b>	(9,661)	12,180	2,519
Total Cash - Beginning of Year	45,631	100,679	146,310
Total Cash - End of Year	<u>\$ 35,970</u>	<u>\$ 112,859</u>	<u>\$ 148,829</u>
Reconciliation of Excess Revenues/(Expenses) to Net Inc/(Dec) in Cash from Operating Activities:			
Excess Revenues / (Expenses)	\$ 14,545	\$ (10,308)	\$ 4,237
Adjustments to Reconcile Excess Revenues/(Expenses) to Net Inc/(Dec) in Cash from Operating Activities-			
Change in Interfund Balances	(7,943)	7,943	0
Fund Transfers	(14,545)	14,545	0
Decrease in Assessments Receivable	21		21
Decrease in Prepaid Insurance	4		4
Decrease in Accounts Payable	(440)		(440)
Decrease in Prepaid Assessments	(1,303)		(1,303)
<b>* Net Inc/(Dec) in Cash From Operating Activities</b>	<u>\$ (9,661)</u>	<u>\$ 12,180</u>	<u>\$ 2,519</u>

See Accompanying Notes and Independent Accountant's Report

Terrace Village Maintenance Corporation  
(A Nonprofit Corporation)

Notes to Financial Statements  
December 31, 2013

**Note 1. Summary of Significant Accounting Policies**

Terrace Village Maintenance Corporation is a statutory condominium type common interest realty association and was organized in California on March 3, 2003, as a nonprofit mutual benefit corporation. The purpose of the Association is primarily to maintain, preserve and control the common areas of the Association. The Association has 30 residential units located in San Diego, California.

The Association's financial statements are presented on the accrual basis of accounting. The accrual basis records assessments as revenues when due rather than when received and expenses when incurred rather than when paid.

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally for on-going repairs and maintenance. Disbursements from the replacement fund generally may be made only for designated purposes.

Real property and replacements & improvements to common area real property are not capitalized nor depreciated because the common areas are considered owned by the unit owners and not the Association.

Per the provisions of Financial Accounting Standards Board of the American Institute of Certified Public Accountants, regarding "Statement of Cash Flows", cash equivalents consist primarily of certificates of deposits (CDs) and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over ninety days are considered investments. The Association's method of accounting is to consider all cash, cash equivalents and money market funds together as cash funds.

It is the policy of the Association to transfer excess operating revenues/(expenses) to the replacement fund. It is also the Board's policy to allocate to the replacement fund interest earned on replacement fund cash and investment accounts. Taxes on all interest and other nonexempt income are paid from the operating fund.

Subsequent events have been evaluated through the date the financial statements were issued on February 19, 2014.

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

Terrace Village Maintenance Corporation  
(A Nonprofit Corporation)

Notes to Financial Statements  
December 31, 2013

**Note 2. Cash**

The Association's cash balances at December 31, 2013 are as follows:

<u>Depository</u>	<u>Acct. Type</u>	<u>Balance</u>
A. Operating Fund Cash-		
California Bank & Trust	Checking	\$ 35,970
		=====
B. Replacement Fund Cash-		
US Bank	Money Market	\$ 110,760
US Bank	Checking	2,099
		=====
Total Replacement Fund Cash		\$ 112,859
		=====

**Note 3. Income Tax Status**

The Association is taxed as a homeowners association under Internal Revenue Service Code Section 528. Under this section, the Association is generally taxed only on nonexempt income, such as interest earnings. There are no tax expenses for the year ended December 31, 2013. At year end, there are no taxes due or prepaid. In evaluating the Association's tax position and accruals, the Association's Governance believes that estimates are appropriate based on current facts and circumstances. The Association's federal income tax returns are generally subject to examination by the Internal Revenue Service for three years after they were filed; and for California tax returns by the Franchise Tax Board generally for four years after they were filed.

**Note 4. Assessments**

The annual budget and owners' assessments are determined by the Board of Directors and under certain conditions, may be approved by the owners. The Association retains excess funds, if any, for expenses in future years. Regular assessments to owners ranged from \$246.80 per unit per month to \$273.73 per unit per month for the year ended December 31, 2013. From these amounts, a total of \$12,012 was designated to the replacement fund.



Terrace Village Maintenance Corporation  
(A Nonprofit Corporation)

Notes to Financial Statements  
December 31, 2013

**Note 5. Assessments Receivable**

The Association's policy is to place liens on the properties of owners whose assessments are in arrears, and retain legal counsel, if necessary, to collect delinquent assessments. As of December 31, 2013, there are \$3,004 of assessments and charges receivable, and \$1,541 of assessments paid in advance.

**Note 6. Replacement Fund**

The Association has established a policy of assessing members monthly and accumulating funds for major repairs and replacements based on current estimated replacement costs. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The Association has not conducted a current study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Note 7. Commitments**

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' notice.