

TERRACE VILLAGE MAINTENANCE CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT ACCOUNTANT'S REPORT

Terrace Village Maintenance Corporation

Reviewed Financial Statements
December 31, 2017

To the Board of Directors and Members:

I have reviewed the accompanying financial statements of Terrace Village Maintenance Corporation, which comprise the balance sheet as of December 31, 2017, and the related statements of revenues and expenses, changes in fund balances 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 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's Responsibility for the Financial Statements

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

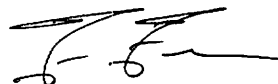
My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting 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.

Accountant's Conclusion on the Financial Statements

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.

Required Supplementary Information

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 22, 2018

Timothy M. Ferrara, C.P.A.

Terrace Village Maintenance Corporation
Balance Sheet
December 31, 2017

<u>Assets</u>	Operating Fund	Replacement Fund	Total
Cash	\$ 23,415	\$ 149,466	\$ 172,881
Assessments Receivable	2,013		2,013
Prepaid Expenses	4,079		4,079
Due From Operating Fund		24,980	*
Total Assets	<u>\$ 29,507</u>	<u>\$ 174,446</u>	<u>\$ 178,973</u>
<u>Liabilities</u>			
Accounts Payable	\$ 2,873	\$ -	\$ 2,873
Prepaid Assessments	1,654		1,654
Due to Replacement Fund	24,980		*
Total Liabilities	29,507	-	4,527
<u>Fund Balance</u>	-	174,446	174,446
Total Liabilities & Fund Balance	<u>\$ 29,507</u>	<u>\$ 174,446</u>	<u>\$ 178,973</u>

* 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, 2017

	Operating Fund	Replacement Fund	Total
Revenues:			
Regular Assessments	\$ 69,012	\$ 23,000	\$ 92,012
Interest		122	122
Other	2,456		2,456
Total Revenues	71,468	23,122	94,590
Expenses:			
Administrative-			
Insurance	7,887		7,887
Intercom	747	3,992	4,739
Legal	1,425		1,425
Licenses, Fees & Permits	381		381
Management Contract	7,800		7,800
Other Administrative	1,097		1,097
Review & Tax Preparation	1,400		1,400
Total Administrative	20,737	3,992	24,729
Maintenance-			
Elevator	2,171		2,171
Janitorial	5,220		5,220
Landscape - Contract	3,160		3,160
Landscape - Other	310		310
Pest Control	540		540
Pool	3,275		3,275
Repairs & Maintenance	17,259		17,259
Total Maintenance	31,935	-	31,935
Utilities-			
Gas & Electricity	4,667		4,667
Refuse Removal	6,322		6,322
Water & Sewer	14,733		14,733
Total Utilities	25,722	-	25,722
Total Expenses	78,394	3,992	82,386
Excess Revenues / (Expenses)	\$ (6,926)	\$ 19,130	\$ 12,204

See Accompanying Notes and Independent Accountant's Report

Terrace Village Maintenance Corporation
Statement of Changes in Fund Balances
For the Year Ended December 31, 2017

	Operating Fund	Replacement Fund	Total
Fund Balance - Beginning of Year	\$ -	\$ 162,242	\$ 162,242
Excess Revenues / (Expenses)	(6,926)	19,130	12,204
Fund Transfers	6,926	(6,926)	-
Fund Balance - End of Year	\$ -	\$ 174,446	\$ 174,446

See Accompanying Notes and Independent Accountant's Report

Terrace Village Maintenance Corporation
Statement of Cash Flows
For the Year Ended December 31, 2017

	Operating Fund	Replacement Fund	Total
Cash Flows - Operating Activities:			
Assessments	\$ 88,728	\$ -	\$ 88,728
Interest Received		122	122
Other Income Received	2,456		2,456
Administrative Disbursements	(21,000)		(21,000)
Maintenance Disbursements	(35,327)		(35,327)
Utility Disbursements	(25,363)		(25,363)
Fund Transfer	(10,000)	10,000	-
* Net Inc/(Dec) in Cash From Operating Activities	(506)	10,122	9,616
Total Cash - Beginning of Year	23,921	139,344	163,265
Total Cash - End of Year	<u>\$ 23,415</u>	<u>\$ 149,466</u>	<u>\$ 172,881</u>

Reconciliation of Excess Revenues/(Expenses)
to Net Inc/(Dec) in Cash from Operating Activities:

Excess Revenues / (Expenses)	\$ (6,926)	\$ 19,130	\$ 12,204
Adjustments to Reconcile Excess Revenues/(Expenses) to Net Inc/(Dec) in Cash from Operating Activities-			
Change in Interfund Balances	2,082	(2,082)	-
Fund Transfers	6,926	(6,926)	-
Increase in Assessments Receivable	(1,766)		(1,766)
Decrease in Prepaid Expenses	297		297
Increase in Accounts Payable	399		399
Decrease in Prepaid Assessments	(1,518)		(1,518)
* Net Inc/(Dec) in Cash From Operating Activities	<u>\$ (506)</u>	<u>\$ 10,122</u>	<u>\$ 9,616</u>

Terrace Village Maintenance Corporation
(A Nonprofit Corporation)

Notes to Financial Statements
December 31, 2017

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 22, 2018.

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, 2017

Note 2. Cash

The Association's cash balances at December 31, 2017 are as follows:

<u>Depository</u>	<u>Acct. Type</u>	<u>Balance</u>
A. Operating Fund Cash-		
California Bank & Trust	Checking	\$ 23,415
		<u>=====</u>
B. Replacement Fund Cash-		
US Bank	Money Market	\$ 147,367
US Bank	Checking	<u>2,099</u>
		<u>=====</u>
Total Replacement Fund Cash		\$ 149,466
		<u>=====</u>

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 income tax expenses for the year ended December 31, 2017. At year end, there are no income 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, 2017. From these amounts, a total of \$23,000 was designated to the replacement fund.

Terrace Village Maintenance Corporation
(A Nonprofit Corporation)

Notes to Financial Statements
December 31, 2017

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, 2017, there are \$2,013 of assessments and charges receivable, and \$1,654 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.