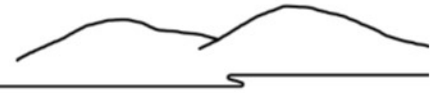


Riviera Heights Homeowners Association
FINANCIAL STATEMENTS

REVIEW REPORT

June 30, 2023



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Riviera Heights Homeowners Association
Kelseyville, CA 95451

To The Board of Directors:

We have reviewed the accompanying financial statements of Riviera Heights Homeowners Association., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities 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 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.

Accountant's Conclusion

Based on our review, we are 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

Our review was made for the purpose of forming an opinion on the basic financial statements taken as a whole. I have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of my audit. The Supplemental Information on Replacement Fund Balances on page 11 is not a required part of the basic financial statements but is supplemental information required by Financials Accounting Standards Board, who considers it to be an essential part of financials reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it

Zach Pehling, CPA, MBA

Riviera Heights Homeowners Association

REVIEW REPORT

June 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Review Report.....	1
Financial Statements	
Balance Sheet.....	3
Statement of Revenues, Expenses & Change in Fund Balance.....	4
Statement of Cash Flow.....	5
Notes to Financial Statements.....	6
Supplemental Information	
Schedule of Future Major Repairs and Replacements (Compiled).....	11

See accompanying notes and independent Accountant's Review Report

Riviera Heights Homeowners Association

**Balance Sheet
June 30, 2023**

	<u>Operating Fund</u>	<u>Reserve Fund</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash on Hand and in Banks	46,220	264,981
Prepaid Expenses	4,175	-
Accounts Receivable(Less) Allowance for Doubtful Accounts	147,456	-
	<hr/>	<hr/>
Total Current Assets	197,851	264,981
	<hr/>	<hr/>
TOTAL ASSETS	197,851	264,981
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Accounts Payable	15,604	-
ARC Performance Deposits	4,000	-
Prepaid Assessments	1,589	-
	<hr/>	<hr/>
TOTAL LIABILITIES	21,193	-
	<hr/>	<hr/>
TOTAL FUND BALANCE	\$ 176,658	\$ 264,981
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes and independent Accountant's Review Report

Riviera Heights Homeowners Association

**Statement of Revenues, Expenses & Change in Fund Balance
For the Year-Ended
June 30, 2023**

	<u>Operating Fund</u>	<u>Reserve Fund</u>
<u>REVENUES:</u>		
HOA Assessments	\$ 205,123	\$ 63,432
Other Fees, Fines, income	121,868	32,500
Grant Income	-	-
Interest Income	6	130
TOTAL REVENUES	<u>326,997</u>	<u>96,062</u>
<u>EXPENSES:</u>		
Administrative Expense:		
Office Expense	26,995	20
Uncollectible Accounts/Bad Debt	25,000	-
Insurance	10,539	-
Professional Fees	70,017	-
Taxes	-	-
Total Administrative Expense	<u>132,551</u>	<u>20</u>
Operating Expense:		
Community & Clubhouse	55,074	11,663
Marina	1,605	8,470
Swimming Pool	16,963	4,240
Grant Expense	-	-
Payroll Expense	125,632	-
Total Operating Expense	<u>199,274</u>	<u>24,373</u>
TOTAL EXPENSES	<u>331,825</u>	<u>24,393</u>
<u>NET INCREASE (DECREASE) IN FUND BALANCE</u>	<u>(4,828)</u>	<u>71,669</u>
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>181,486</u>	<u>193,312</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 176,658</u>	<u>\$ 264,981</u>

See accompanying notes and independent Accountant's Review Report

Riviera Heights Homeowners Association

Notes to Financial Statements June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Riviera Heights Homeowners Association (the Association) have been prepared in conformity with generally accepted accounting principles. The most significant of the Association's accounting policies are described below.

A. Description of the Reporting Entity

The Riviera Heights Homeowners Association was organized on May 4, 1970, with 701 lots for sale. Due to merging of lots the Association currently has 633 lots. The Association is organized in conformance with State of California law. The Association provides covenants, conditions and restrictions for the Riviera Heights Subdivision.

The Association is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members elected by association members.

The Board appoints the Chair (person) of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the Association; perform all duties commonly incident to the position of presiding officer of a board, Association, or business organization; and exercise supervision over the business of the Association, its officers, and its employees.

B. Fund financial statements

The financial statements, the balance sheet, and the statement of revenues, expenses and change in fund balances, and statement of cash flows report information on all of the activities of the Association.

Fund Accounting

The Association uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Association has two funds. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

The Association reports the following funds:

General Fund – The General Fund is used to account for all financial resources of the Association. The general fund balance is available to the Association for any purpose provided it is expended or transferred according to the general laws of California and the bylaws of the Association.

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

Riviera Heights Homeowners Association

Notes to Financial Statements June 30, 2023

C. Cash and Cash Equivalents

The Association maintains its cash in a private banking institution. The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

The Association's governing documents require funds to be accumulated for the replacement of its common areas and for general operations. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed. As such cash in the reserve fund are restricted for this purpose.

D. Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses. Each unit shall be assessed at a rate that is uniform with other units. The annual budget and assessments of owners are determined and approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

E. Dues Receivable

On an accrual basis, revenue from assessments is recognized in the fiscal year in which all eligibility requirements have been satisfied. Receivables are resources of the Association based upon current year dues not paid in the current year. The Association has created an allowance for doubtful collections in the amount of (9,964) that is carried on the balance sheet.

F. Accounts Payable and Accrued Liabilities

The Association reports an accounts payable and accrued liability on the balance sheet. The liabilities from expenses are recognized at the time they are incurred, during the current period.

G. ARC Performance Deposits

The Association reports and ARC Performance Deposit liability on the statement of net assets. These are monies collected from builders as a performance deposit and are refunded once a project has been completed.

H. Pre-paid Assessments

The Association mails assessments before fiscal year-end. These assessments are due in the following fiscal-year. Dues paid before the fiscal year-end are considered a liability of the Association as unearned revenue until the point at which the restriction has been removed.

Riviera Heights Homeowners Association

Notes to Financial Statements June 30, 2023

I. Common Property

In accordance with prevalent industry standards, real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners and not by the Association. The Association also recognizes real property not directly associated with the units as assets when the Association has title and can dispose of the property, at discretion of the Board of Directors, for cash, with the Association retaining the proceeds.

J. Fund Balance

Fund Balance presents the difference between assets and liabilities in the Balance Sheet. Fund Balances are reported as restricted when there are legal limitations imposed on their use.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: INCOME TAX

The Association qualifies as a tax exempt Homeowners Association for all income and expenses related to its exempt function purpose of the acquisition, construction, management, maintenance and care of Association property. The net nonexempt income from earned interest is taxed at 32% by the Federal Government, if the Association elects to file Form 1120-H. The Association elected to file Form 1120-H for the current year. Alternatively, the Association may be classified as a non exempt membership organization for federal income tax purposes. In general, the Association is then required to classify its taxable income and deductions between member activities, non member activities, and capital transactions (for capital replacement fund components). The Association is subject to specific rulings and regulations applicable to non exempt membership organizations. The Association is taxed on all net income from non member activities, reduced only by losses from non member activities for which a profit motive exists. Non member income may not be offset by member losses, and any net member losses may only be carried forward to offset member income of future tax periods. Any net member income not applied to the subsequent tax year is subject to taxation. Under this tax method, the Association files Form 1120, with tax rates applicable to Association net taxable income based on a graduated rate table with rates of 15% to 39%. For California State income tax purposes, the Association is taxed on all net income from non member activities reduced only by losses from non member activities for which a profit motive exists. Non member income may not be offset by member losses. Any net member income is not subject to taxation. The tax rate for Association net taxable income is 8.84%.

Riviera Heights Homeowners Association

Notes to Financial Statements June 30, 2023

NOTE 3: RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2023, the Association contracted with private insurance agencies for liability, property, crime damage, employee and director insurances.

NOTE 4: CONTIGENCIES

As of June 30, 2023, the Association did not have any nondisclosed pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 5: SUBSEQUENT EVENTS

For the purpose of the accompanying consolidated financial statements, subsequent events have been evaluated through , which is the date these financial statements were available to be issued.

Riviera Heights Homeowners Association

Supplemental Information

June 30, 2023