

**WHITEHAWK RANCH
HOMEOWNERS ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2022**



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Whitehawk Ranch Homeowners Association
Clio, California

We have reviewed the accompanying financial statements of Whitehawk Ranch Homeowners Association, which comprise the balance sheet as of December 31, 2022, 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 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, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is 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

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 Whitehawk Ranch Homeowners 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 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.

Supplementary Information

The supplementary information included in the schedules of operating expenses and administrative expenses 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 did not express an opinion on such information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

A handwritten signature in black ink, appearing to read "Boden Klein & Sneesby", with a stylized flourish at the end.

BODEN KLEIN & SNEESBY
Certified Public Accountants
Roseville, California

July 31, 2023

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION

Balance Sheet
December 31, 2022

ASSETS

	Operating Fund	Reserve Fund	Total
Cash & cash equivalents:			
Plumas Bank checking	\$ 104,562	\$ -	\$ 104,562
Plumas Bank money market	26,843	-	26,843
Fidelity Investments money market	-	219,384	219,384
Total cash and cash equivalents	<u>131,405</u>	<u>219,384</u>	<u>350,789</u>
Investments:			
Plumas Bank CD 0.25% 2/25/23	-	100,250	100,250
Capital One CD 2.00% 4/1/24	-	100,000	100,000
Goldman Sachs CD 1.20% 4/6/23	-	100,000	100,000
Sallie Mae CD 2.85% 6/17/24	-	50,000	50,000
Sallie Mae CD 3.10% 6/16/25	-	50,000	50,000
Total investments	<u>-</u>	<u>400,250</u>	<u>400,250</u>
Other assets:			
Assessments receivable	2,784	-	2,784
Accrued interest receivable	-	1,748	1,748
Total other assets	<u>2,784</u>	<u>1,748</u>	<u>4,532</u>
TOTAL ASSETS	<u>\$ 134,189</u>	<u>\$ 621,382</u>	<u>\$ 755,571</u>

LIABILITIES AND FUND BALANCES

Current liabilities:			
Accounts payable	\$ 214	\$ -	\$ 214
Income tax payable	1,490	-	1,490
Assessments paid in advance	17,108	-	17,108
Architect review deposit payable	1,160	-	1,160
Due to (from) other fund	5,269	(5,269)	-
Total current liabilities	<u>25,241</u>	<u>(5,269)</u>	<u>19,972</u>
Fund balances	<u>108,948</u>	<u>626,651</u>	<u>735,599</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 134,189</u>	<u>\$ 621,382</u>	<u>\$ 755,571</u>

See independent accountant's review report and notes to financial statements.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2022

	Operating Fund	Reserve Fund	Total
Revenues:			
Monthly dues	\$ 129,502	\$ 134,042	\$ 263,544
Investment income	23	7,053	7,076
Other income	6,369	2,112	8,481
Total revenues	<u>135,894</u>	<u>143,207</u>	<u>279,101</u>
Expenses:			
Operating costs	79,033	-	79,033
Administrative costs	53,705	-	53,705
Major repairs and replacements	-	29,655	29,655
Total expenses	<u>132,738</u>	<u>29,655</u>	<u>162,393</u>
EXCESS OF REVENUES OVER EXPENSES	3,156	113,552	116,708
Fund balance, beginning	<u>105,792</u>	<u>513,099</u>	<u>618,891</u>
FUND BALANCE, ENDING	<u>\$ 108,948</u>	<u>\$ 626,651</u>	<u>\$ 735,599</u>

See independent accountant's review report and notes to financial statements.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION**Statement of Cash Flows****For the Year Ended December 31, 2022**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Excess of revenues over expenses	<u>\$ 3,156</u>	<u>\$ 113,552</u>	<u>\$ 116,708</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Assessments receivable	(2,472)	-	(2,472)
Prepaid expenses	3,751	-	3,751
Accrued interest receivable	-	(1,529)	(1,529)
Accounts payable	(228)	-	(228)
Income tax payable	816	-	816
Assessments paid in advance	<u>10,805</u>	<u>-</u>	<u>10,805</u>
Total adjustments	<u>12,672</u>	<u>(1,529)</u>	<u>11,143</u>
Net cash provided by operating activities	15,828	112,023	127,851
Cash flows from investing activities:			
(Purchase) / re-characterize investments	<u>-</u>	<u>(150,201)</u>	<u>(150,201)</u>
Net increase (decrease) in cash and cash equivalents	15,828	(38,178)	(22,350)
Cash and cash equivalents, beginning of year	<u>115,577</u>	<u>257,562</u>	<u>373,139</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 131,405</u>	<u>\$ 219,384</u>	<u>\$ 350,789</u>

See independent accountant's review report and notes to financial statements.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION

Notes to Financial Statements

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Association -

Whitehawk Ranch Homeowners Association was incorporated in May 1991, under the general nonprofit corporation law of the State of California. The specific and primary purpose for which this association was formed is to repair, maintain, and manage the common area of the Homeowners Association located in Clio, California. The Homeowners Association is supported by monthly assessments to its 276 individual homeowner units.

b. Fund accounting -

The Homeowners 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 Homeowners 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 general operations of the Homeowners Association.

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

The Homeowners Association uses the accrual method, when recording transactions. Revenue is recorded when earned, and expenses are recorded when the obligation is incurred.

c. Member assessments -

Homeowners Association members are subject to monthly assessments to provide funds for the Homeowners Association's operating expenses, insurance expenses, future capital acquisitions, major repairs, and major replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations are satisfied over time. Assessments receivable at the balance sheet date represent fees due or (prepaid) from unit owners. The Homeowners Association retains excess assessments at year-end for use in future years. Management believes all receivables are fully collectable and therefore, there is no allowance for doubtful accounts.

See independent accountant's review report.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION

Notes to Financial Statements

December 31, 2022

d. Certificates of deposit -

Certificates of deposit are reported at cost.

e. Interest income -

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

f. Income taxes -

Whitehawk Ranch Homeowners Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2022, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporation rates.

The Association recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. There was no impact on the Association's financial statements.

The Association files tax returns in the United States federal jurisdiction and in the state of California. The Association's federal income tax returns for the tax years 2019 and forward remain subject to examination by the Internal Revenue Service. The Association's California income tax returns for the years 2018 and forward remain subject to examination by the Franchise Tax Board.

g. Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles 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 estimates.

See independent accountant's review report.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION

Notes to Financial Statements

December 31, 2022

NOTE 2 - FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association's governing documents require funds to be accumulated for future repairs and replacements. Accumulated cash is held in separate accounts and is generally not available for operating purposes.

The Association is funding for such major repairs and replacements based on a study that contains estimates of current replacement costs and considers amounts previously accumulated. 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, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 3 - INCOME TAXES:

The Association incurred \$872 in federal and \$570 in state income tax expense for 2022.

NOTE 4 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

The Association defines cash equivalents as cash and certificates of deposits with maturities of three months or less.

NOTE 5 - SUBSEQUENT EVENTS:

Management has evaluated the potential for subsequent events through the available for issuance date of the financial statements, July 31, 2023.

See independent accountant's review report.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION

Schedule of Operating Costs

For the Year Ended December 31, 2022

Contract service	\$ 67,115
ARC plan review	3,976
Weed control	3,950
Speed bump and other minor repairs	2,787
Social activity	874
Electricity	<u>331</u>
Total operating costs	<u>\$ 79,033</u>

See independent accountant's review report.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION

Schedule of Administrative Costs
For the Year Ended December 31, 2022

Administrative support services	\$ 34,800
Insurance	5,690
Annual meeting	3,993
Printing	3,119
Tax preparation	2,800
Postage and delivery	1,477
Income tax expense	1,442
Miscellaneous expense	<u>384</u>
Total administrative costs	<u>\$ 53,705</u>

See independent accountant's review report.

WHITEHAWK RANCH HOMEOWNERS ASSOCIATION

Required Supplementary Information On Future Major Repairs and Replacements For the Year Ended December 31, 2022

The Board of Directors conducted a study in May 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following table is based on the study dated May 2022 and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance at 12/31/22</u>
Landscaping	1-09	\$ 79,550	
Street & drives – repaving	1-11	1,579,426	
Structural Repairs	1-12	<u>523,834</u>	
TOTALS		<u>\$ 2,182,810</u>	<u>\$ 626,651</u>

Estimated current replacement costs are amounts calculated in today's dollars, at the date of the study, for ongoing repairs and replacements through the year 2036.

See independent accountant's review report.