

**WHITEHAWK RANCH  
TOWNHOME OWNERS ASSOCIATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022**



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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Whitehawk Ranch Townhome Owners Association  
Clio, California

We have reviewed the accompanying financial statements of Whitehawk Ranch Townhome Owners 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 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.

We are required to be independent of Whitehawk Ranch Townhome Owners 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 costs and administrative costs 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 do not express an opinion on such information.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 12 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.

  
BODEN KLEIN & SNEESBY  
Certified Public Accountants  
Roseville, California

May 10, 2023

**WHITEHAWK RANCH TOWNHOME OWNERS ASSOCIATION**

Balance Sheet  
December 31, 2022

**ASSETS**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Cash and cash equivalents:			
Plumas operating checking	\$ 53,956	\$ -	\$ 53,956
Plumas reserve checking	-	151,594	151,594
Wells Fargo Advisors	-	160,373	160,373
Total cash and cash equivalents	<u>53,956</u>	<u>311,967</u>	<u>365,923</u>
Other assets:			
Members' assessments receivable	<u>2,240</u>	-	<u>2,240</u>
Total other assets	<u>2,240</u>	-	<u>2,240</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 56,196</u></b>	<b><u>\$ 311,967</u></b>	<b><u>\$ 368,163</u></b>

**LIABILITIES AND FUND BALANCES**

Current liabilities:			
Accounts payable	\$ 26	\$ -	\$ 26
Assessments paid in advance	10,312	-	10,312
Current portion of long term note payable	-	80,000	80,000
Total current liabilities	<u>10,338</u>	<u>80,000</u>	<u>90,338</u>
Long term liabilities:			
Note payable - Plumas Bank	-	380,000	380,000
Total long term liabilities	<u>-</u>	<u>380,000</u>	<u>380,000</u>
Fund balances	<u>45,858</u>	<u>(148,033)</u>	<u>(102,175)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 56,196</u></b>	<b><u>\$ 311,967</u></b>	<b><u>\$ 368,163</u></b>

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

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

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Monthly dues	\$ 304,072	\$ 83,000	\$ 387,072
Late fees	234	-	234
Interest income	<u>-</u>	<u>253</u>	<u>253</u>
Total revenues	<u>304,306</u>	<u>83,253</u>	<u>387,559</u>
 <b>Expenses:</b>			
Major repairs and replacements	-	19,821	19,821
Operating costs	128,617	-	128,617
Administrative costs	<u>108,658</u>	<u>-</u>	<u>108,658</u>
Total expenses	<u>237,275</u>	<u>19,821</u>	<u>257,096</u>
 <b>EXCESS OF REVENUES OVER EXPENSES</b>	 <b>67,031</b>	 <b>63,432</b>	 <b>130,463</b>
Fund balances, beginning	58,827	(291,465)	(232,638)
Transfers	<u>(80,000)</u>	<u>80,000</u>	<u>-</u>
 <b>FUND BALANCES, ENDING</b>	 <b><u>\$ 45,858</u></b>	 <b><u>\$ (148,033)</u></b>	 <b><u>\$ (102,175)</u></b>

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

**WHITEHAWK RANCH TOWNHOME OWNERS 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	\$ 67,031	\$ 63,432	\$ 130,463
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Assessments receivable	(512)	-	(512)
Accounts payable	(342)	-	(342)
Assessments paid in advance	<u>2,900</u>	<u>-</u>	<u>2,900</u>
Total adjustments	<u>2,046</u>	<u>-</u>	<u>2,046</u>
Net cash provided by operating activities	<u>69,077</u>	<u>63,432</u>	<u>132,509</u>
Cash flows from financing activities:			
Note payable - Plumas Bank	-	(80,000)	(80,000)
Transfer between funds	<u>(80,000)</u>	<u>80,000</u>	<u>-</u>
Net cash (used) in financing activities	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Net (decrease) increase in cash and cash equivalents	(10,923)	63,432	52,509
Cash and cash equivalents, beginning of year	<u>64,879</u>	<u>248,535</u>	<u>313,414</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 53,956</u>	<u>\$ 311,967</u>	<u>\$ 365,923</u>

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

# WHITEHAWK RANCH TOWNHOME OWNERS ASSOCIATION

Notes to Financial Statements

December 31, 2022

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### a. Association -

Whitehawk Ranch Townhome Owners Association was incorporated in September 1994, under the general nonprofit corporation law of the State of California. The specific and primary purpose for which this Association was formed is to operate, repair, maintain, and manage the common area of the Association, located in Clio, California. The Association is supported by monthly assessments to its 72 individual homeowner units.

### b. Fund accounting -

Whitehawk Ranch Townhome Owners 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 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 Association.

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

Whitehawk Ranch Townhome Owners Association uses the accrual method of accounting when recording transactions. Revenue is recorded when earned, and expenses are recorded when the obligation is incurred.

### c. Member assessments -

Association members are subject to monthly assessments to provide funds for Whitehawk Ranch Townhome Owners 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 Association retains excess assessments at year-end for use in future years. The Association believes that all receivables at year end are fully collectible. Management believes all receivables are fully collectible and therefore, there is no allowance for doubtful accounts.

See independent accountant's review report.

# WHITEHAWK RANCH TOWNHOME OWNERS ASSOCIATION

## Notes to Financial Statements

December 31, 2022

d. Interest Income -

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

e. Income taxes -

Whitehawk Ranch Townhome Owners 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 remain subject to examination by the Internal Revenue Service for 3 years and the California income tax returns remain subject to examination by the Franchise Tax Board for 4 years.

f. 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.

g. Concentration of credit risk -

At times throughout the year, cash balances may exceed federally insured limits. The Association has not incurred any losses and believes it is not exposed to any significant credit risk on these balances.

See independent accountant's review report.



**WHITEHAWK RANCH TOWNHOME OWNERS 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 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

For purposes of the statement of cash flows, no income taxes were paid and interest paid for the year ended December 31, 2022 was \$33,609. Additionally, the Association defines cash as cash and certificates of deposits with maturities of three months or less.

NOTE 4 - NOTE PAYABLE - PLUMAS BANK:

The Association obtained a \$800,000 loan from Plumas Bank on July 23, 2019. The proceeds were used to complete a substantial roofing and painting project. The note is payable in 39 quarterly principal payments plus interest stated at 6.6 percent. The outstanding balance at December 31, 2022 was \$460,000. Required future principal payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 80,000
2024	80,000
2025	80,000
2026	80,000
2027 and beyond	140,000
Total	<u>\$ 460,000</u>

See independent accountant's review report.

**WHITEHAWK RANCH TOWNHOME OWNERS ASSOCIATION**  
Notes to Financial Statements  
December 31, 2022

**NOTE 5 SUBSEQUENT EVENTS:**

Management has evaluated the potential for subsequent events through the available for issuance date of the financial statements, May 10, 2023.

See independent accountant's review report.

**WHITEHAWK RANCH TOWNHOME OWNERS ASSOCIATION**

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

Master association dues	\$ 68,256
Landscape maintenance	41,681
Snow removal	14,588
Water - drip system	3,651
Electricity	<u>441</u>
<b>Total operating costs</b>	<b><u>\$ 128,617</u></b>

See independent accountant's review report.

**WHITEHAWK RANCH TOWNHOME OWNERS ASSOCIATION**

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

Insurance	\$ 43,428
Interest expense	33,609
Bookkeeping services	23,400
Review and tax preparation	2,800
Miscellaneous	2,475
Postage and delivery	1,917
Legal fees	992
Bank charges	<u>37</u>
<b>Total administrative costs</b>	<b><u>\$ 108,658</u></b>

See independent accountant's review report.

## WHITEHAWK RANCH TOWNHOME OWNERS 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 August 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 August 10, 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>
Painting	1 to 5	\$ 282,627	
Roofing	1 to 29	1,285,380	
Paving	1 to 9	250,976	
Other expenses	1 to 5	<u>49,980</u>	
TOTALS		<u>\$ 1,868,963</u>	<u>\$ (148,033)</u>

See independent accountant's review report.