

**MONTAGE AT MISSION HILLS, INC.  
REVIEWED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2020**

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# BECK and COMPANY, CPA'S, INC.

34-220 Gateway Drive, Suite 120 Palm Desert, CA92211  
760-340-5547 Fax 760-340-2321  
chuck@beck-cpa.com

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members  
MONTAGE AT MISSION HILLS, INC.

We have reviewed the accompanying financial statements of MONTAGE AT MISSION HILLS, INC. which comprise the balance sheet as of December 31, 2020, 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.

### Summarized Comparative Information

The prior year summarized comparative information has been derived from the December 31, 2019 financial statements, which were reviewed by us. Our report dated January 23, 2020 stated that we were unaware of any material modifications that should be made to those financial statements in order for them to be in conformity with generally accepted accounting principles

### Accountant's Conclusion on the Financial Statements

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 conformity with accounting principles generally accepted in the United States of America.

### 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 the last page 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. We have not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

*Charles Beck, CPA*

*Beck and Company, CPA's, Inc.*

February 2, 2021

**MONTAGE AT MISSION HILLS, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**  
**(With Comparative Totals for 12/31/2019)**

	<b>2020</b>			<b>2019</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>	<b>Total Funds</b>
<b><u>ASSETS:</u></b>				
Cash	\$ 54,177	\$ 161,759	\$ 215,936	\$ 168,982
Assessments Receivable	4,722	-	4,722	1,171
Prepaid Insurance	4,898	-	4,898	4,898
<b>TOTAL ASSETS</b>	<b><u>\$ 63,797</u></b>	<b><u>\$ 161,759</u></b>	<b><u>\$ 225,556</u></b>	<b><u>\$ 175,051</u></b>
<b><u>LIABILITIES:</u></b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 9,453
Prepaid Assessments	33,832	-	33,832	22,260
<b>TOTAL LIABILITIES</b>	<b><u>33,832</u></b>	<b><u>-</u></b>	<b><u>33,832</u></b>	<b><u>31,713</u></b>
<b>FUND BALANCES</b>	<b><u>29,965</u></b>	<b><u>161,759</u></b>	<b><u>191,724</u></b>	<b><u>143,338</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 63,797</u></b>	<b><u>\$ 161,759</u></b>	<b><u>\$ 225,556</u></b>	<b><u>\$ 175,051</u></b>

**MONTAGE AT MISSION HILLS, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Totals for 12/31/2019)**

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b><u>REVENUES</u></b>				
Member Assessments	\$ 290,512	\$ 93,488	\$ 384,000	\$ 368,640
Interest Income	-	1,300	1,300	394
Other Income	2,818	-	2,818	2,499
<b>TOTAL REVENUES</b>	293,330	94,788	388,118	371,533
<b><u>EXPENSES</u></b>				
<b>Utilities</b>				
Electricity	11,603	-	11,603	12,379
Water	5,017	-	5,017	4,503
Telephone	1,924	-	1,924	1,980
<b>Maintenance</b>				
Landscape Contract	20,880	-	20,880	19,610
Landscape Extras	13,277	-	13,277	13,479
Fountain Contract	2,400	-	2,400	2,600
Fountain Maintenance	510	-	510	213
Pest Control	2,315	-	2,315	1,995
Buildings & Grounds	11,623	-	11,623	12,136
Street Sweeping	4,680	-	4,680	4,681
<b>Administrative</b>				
Review/Tax Prep/Rsv Study	1,500	-	1,500	2,435
Insurance	7,338	-	7,338	7,105
Legal & Professional	6,230	-	6,230	3,068
Management Fee	30,744	-	30,744	30,744
Office & Administrative	5,258	-	5,258	6,040
Taxes, Licenses & Permits	10	-	10	-
Social Membership	153,942	-	153,942	149,340
<b>Major Repairs and Replacements</b>				
Asphalt	-	-	-	30,024
Electrical & Lighting	-	7,176	7,176	450
Mechanical	-	-	-	7,271
Fences & Gates	-	8,474	8,474	11,279
Pool & Spa	-	-	-	480
Paint & Stucco	-	-	-	3,975
Landscape & Irrigation	-	38,880	38,880	23,040
Buildings & Grounds	-	5,951	5,951	-
<b>TOTAL EXPENSES</b>	279,251	60,481	339,732	348,827
Excess of Revenues over Expenses or (Expenses over Revenue)	14,079	34,307	48,386	22,706
Beginning Fund Balances	15,890	127,448	143,338	120,632
Net Interfund Transfers	(4)	4	-	-
<b>ENDING FUND BALANCES</b>	<u>\$ 29,965</u>	<u>\$ 161,759</u>	<u>\$ 191,724</u>	<u>\$ 143,338</u>

See accompanying notes to financial statements

**MONTAGE AT MISSION HILLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Totals for 12/31/2019)**

	<b>2020</b>			<b>2019</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>	<b>Total Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	\$ 14,079	\$ 34,307	\$ 48,386	\$ 22,706
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments Receivable	(3,551)	-	(3,551)	412
Increase (decrease) in:				
Accounts Payable	-	(9,453)	(9,453)	8,249
Prepaid Assessments	11,572	-	11,572	(3,079)
	<u>22,100</u>	<u>24,854</u>	<u>46,954</u>	<u>28,288</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>22,100</b>	<b>24,854</b>	<b>46,954</b>	<b>28,288</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interfund transfers	(4)	4	-	-
Sub Total	<u>22,096</u>	<u>24,858</u>	<u>46,954</u>	<u>28,288</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>22,096</b>	<b>24,858</b>	<b>46,954</b>	<b>28,288</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u>32,081</u>	<u>136,901</u>	<u>168,982</u>	<u>140,694</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 54,177</u></u>	<u><u>\$ 161,759</u></u>	<u><u>\$ 215,936</u></u>	<u><u>\$ 168,982</u></u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements

**MONTAGE AT MISSION HILLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 – ORGANIZATION**

MONTAGE AT MISSION HILLS, INC. was incorporated on February 26, 2002 as a nonprofit mutual benefit corporation in the State of California. Its primary purpose is to act as “management body” for the preservation, maintenance and architectural control of the common areas within the project. There are 128 homes in the residential development.

**NOTE 2 – DATE OF MANAGEMENT’S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the review report, which is the date that the financial statements were available to be issued.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund Accounting

The Association’s accounting records are maintained on a modified accrual basis, however, the accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of owners are determined by the Board of Directors who are elected by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. The Association records both the Operating and Replacement Funds assessments as revenue when due, which is in compliance with FASB ASC 606.

The Association’s policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. The Association uses a guideline of 100% provision for Allowance for Doubtful Accounts for all accounts delinquent over one year, foreclosed on, in bankruptcy, or abandoned, as well as on a case-by-case basis of other facts and circumstances.

Property and Equipment

Real property and common areas acquired from the developer and related improvements are not recognized as assets on the Association’s financial statements. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for the purpose of financial reporting.

Interest Income

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

**MONTAGE AT MISSION HILLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

Summarized Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. It is being shown for informational purposes only. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year ended December 31, 2019, from which the summarized information was derived.

**NOTE 4 – INCOME TAXES**

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and State Revenue & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The applicable tax rate is 30% for the federal government and 8.84% for the Franchise Tax Board. Generally, the Association treats income tax expenses as an operating expense regardless of the fund through which the related taxable income was recognized.

The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years after they are filed, and by the Franchise Tax Board for four years after they are filed. In evaluating the Association's tax positions and accruals, the Association believes that the estimates are appropriate based on the current facts and circumstances.

**NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association conducted a study in December of 2020 to estimate the remaining useful lives and the replacement costs of the common property components. The Association should fund such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary materially from the estimates. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds turn out to be necessary, the Association has the right, subject to member approval over certain percentages, to increase regular assessments, levy special assessments or delay major repairs and replacements until funds become available.

**MONTAGE AT MISSION HILLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 6 – RELATED PARTY DISCLOSURE**

During 2019, the Association paid \$980 for collection fees to an entity related to the owner of the management company.

**MONTAGE AT MISSION HILLS, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**DECEMBER 31, 2020**  
**(UNAUDITED)**

The Association conducted a study to estimate the remaining useful lives and the replacement costs of the common area replacement components during December of 2020. The estimates were based on inspection by the independent consultant, and the information provided by the Board of Directors, property manager and others familiar with the development. Replacement costs were based on the estimated costs to repair or replace the common area replacement components at the time 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 information is based on the study, and the update, and presents significant information about the components of common property.

Category	Estimated Remaining Useful Lives(Years)	Estimated Current Replacement Costs	Annual Funding Requirement	Fully Funded Reserve Requirement
Asphalt	4-18	\$ 1,124,555	\$ 26,081	\$ 625,581
Concrete	3-22	280,500	5,857	141,222
Electrical & Lighting	0-14	74,840	4,389	50,893
Mechanical	1-13	30,200	766	18,044
Water Fountain	0-59	431,430	19,889	284,346
Paint	0-14	55,400	4,362	23,400
Fences, Gates	1-13	36,200	1,139	27,324
Landscape, Drainage	1-5	10,448	386	7,981
Mailboxes and Signage	1-5	14,040	383	8,349
<b>Totals</b>		<b>\$ 2,057,613</b>	<b>\$ 63,252</b>	<b>\$ 1,187,140</b>

As of December 31, 2020, the annual budgeted allocation to replacements is \$93,488 and the cash and certificates of deposit balance in replacement funds as of December 31, 2020 total \$161,759.

California Civil Code requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. The report must be available to all owners. Although the code does not require adequate funding, disclosure must be made.