

**MONTAGE AT MISSION HILLS, INC.
REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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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, 2021, 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 independent of the Association and meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Summarized Comparative Information

The prior year summarized comparative information has been derived from the December 31, 2020, financial statements, which were reviewed by us. Our report dated February 2, 2021, 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 26, 2022

MONTAGE AT MISSION HILLS, INC.
BALANCE SHEET
DECEMBER 31, 2021
(With Comparative Totals for 12/31/2020)

	2021		2020	
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>ASSETS:</u>				
Cash & Cash Equivalents	\$ 55,921	\$ 172,476	\$ 228,397	\$ 215,936
Certificates of Deposit	-	30,000	30,000	-
Assessments Receivable	3,081	-	3,081	4,722
Prepaid Insurance	5,990	-	5,990	4,898
TOTAL ASSETS	\$ 64,992	\$ 202,476	\$ 267,468	\$ 225,556
<u>LIABILITIES:</u>				
Prepaid Assessments	\$ 31,646	\$ -	\$ 31,646	\$ 33,832
TOTAL LIABILITIES	31,646	-	31,646	33,832
FUND BALANCES	33,346	202,476	235,822	191,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 64,992	\$ 202,476	\$ 267,468	\$ 225,556

MONTAGE AT MISSION HILLS, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for 12/31/2020)

	2021			2020
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
Member Assessments	\$ 298,104	\$ 101,256	\$ 399,360	\$ 384,000
Interest Income	-	106	106	1,300
Other Income	3,805	-	3,805	2,818
TOTAL REVENUES	301,909	101,362	403,271	388,118
<u>EXPENSES</u>				
Utilities				
Electricity	14,639	-	14,639	11,603
Water	5,052	-	5,052	5,017
Telephone	2,093	-	2,093	1,924
Maintenance				
Landscape Contract	25,020	-	25,020	20,880
Landscape Extras	14,211	-	14,211	13,277
Fountain Contract	2,400	-	2,400	2,400
Fountain Maintenance	165	-	165	510
Pest Control	2,793	-	2,793	2,315
Buildings & Grounds	13,461	-	13,461	11,623
Street Sweeping	4,770	-	4,770	4,680
Administrative				
Review/Tax Prep/Rsv Study	2,300	-	2,300	1,500
Insurance	6,915	-	6,915	7,338
Legal & Professional	9,630	-	9,630	6,230
Management Fee	30,744	-	30,744	30,744
Office & Administrative	5,517	-	5,517	5,258
Taxes, Licenses & Permits	-	-	-	10
Social Membership	158,818	-	158,818	153,942
Major Repairs and Replacements				
Asphalt	-	3,206	3,206	-
Electrical & Lighting	-	15,874	15,874	7,176
Fences & Gates	-	21,650	21,650	8,474
Pool & Spa	-	4,992	4,992	-
Paint & Stucco	-	1,000	1,000	-
Landscape & Irrigation	-	13,299	13,299	38,880
Buildings & Grounds	-	624	624	5,951
TOTAL EXPENSES	298,528	60,645	359,173	339,732
Excess of Revenues over Expenses or (Expenses over Revenue)	3,381	40,717	44,098	48,386
Beginning Fund Balances	29,965	161,759	191,724	143,338
Net Interfund Transfers	-	-	-	-
ENDING FUND BALANCES	\$ 33,346	\$ 202,476	\$ 235,822	\$ 191,724

See accompanying notes to financial statements

MONTAGE AT MISSION HILLS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for 12/31/2020)

	2021			2020
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 3,381	\$ 40,717	\$ 44,098	\$ 48,386
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments Receivable	1,641	-	1,641	(3,551)
Prepaid Insurance	(1,092)	-	(1,092)	-
Increase (decrease) in:				
Accounts Payable	-	-	-	(9,453)
Prepaid Assessments	(2,186)	-	(2,186)	11,572
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,744	40,717	42,461	46,954
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund transfers	-	-	-	-
Sub Total	1,744	10,717	12,461	46,954
NET INCREASE (DECREASE) IN CASH	1,744	10,717	12,461	46,954
CASH AT BEGINNING OF YEAR	54,177	161,759	215,936	168,982
CASH AT END OF YEAR	\$ 55,921	\$ 172,476	\$ 228,397	\$ 215,936
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

**MONTAGE AT MISSION HILLS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 and expenses when incurred, which, for a Homeowners Association, is in compliance with FASB ASC 606. See Footnote below for further discussion regarding 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.

MONTAGE AT MISSION HILLS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Income

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

Cash, Cash Equivalents, Certificates of Deposit, and Investments

Per the provisions of U.S. generally accepted accounting principles in regard to the “Statement of Cash Flows,” cash and cash equivalents include the Association’s cash, checking accounts, money market funds and certificates of deposits with original maturities of 90 days or less. Certificates of Deposit with original maturities over 90 days are listed separately as Certificates of Deposit. Other investment accounts are listed as investments (if any).

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, 2020, 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 California Revenue and Taxation 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.

NOTE 5 – FASB TOPIC ASC 606

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606 (“Topic”), *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The Association does not believe the attributes of the Topic fit with the nature, definitions, and practices of such revenues of the Association: The Association’s source of revenues are dues assessments from owners not “customers” and there is not a “contract” with the owners regarding such revenues.

**MONTAGE AT MISSION HILLS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 – 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 engaged an independent consultant who 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, to increase regular assessments, levy special assessments or delay major repairs and replacements until funds become available. The Association spent \$60,645 for major repairs and replacements during the year.

**MONTAGE AT MISSION HILLS, INC.
REQUIRED SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2021
(UNAUDITED)**

The Association engaged an independent consultant 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 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
Totals		\$ 2,057,613	\$ 63,252	\$ 1,187,140

For the year of December 31, 2021, the annual budgeted allocation to replacements is \$63,252 and the cash and certificates of deposit balance in replacement funds as of December 31, 2021, total \$202,476.

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.