

**LEVY, ERLANGER & COMPANY**  
**Certified Public Accountants**

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December 22, 2016

Board Of Directors  
**Hiddenbrooke Property Owners Association, Inc.**  
c/o Ms. Carol Rogers, Community Manager  
Pacific Union Property Management  
3392 Mendocino Avenue  
Santa Rosa, CA 95403

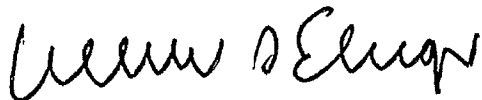
Board Of Directors:

Enclosed find the following items:

- (1) **Reviewed financial statements** of the Association for the years ended June 30, 2016 and 2015. These financial statements should be considered **REVISED FINAL** and are authorized for distribution pending your final review.
- (2) **Trial balance and journal entries**. Previously sent.

If you have any questions, please do not hesitate to call.

Very truly yours,



William Erlanger  
Certified Public Accountant

Encl.

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**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS  
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

**LEVY, ERLANGER & COMPANY  
Certified Public Accountants  
San Francisco, California**

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

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**LEVY, ERLANGER & COMPANY**  
Certified Public Accountants

290 King Street, Suite 12  
San Francisco, CA 94107

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

Board Of Directors  
**Hiddenbrooke Property Owners Association**  
Vallejo, California

We have reviewed the accompanying financial statements of **Hiddenbrooke Property Owners Association** (the Association) which comprise the balance sheet as of June 30, 2016 and the related statements of revenues, expenses, and changes in fund balances 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

**Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

Board Of Directors  
**Hiddenbrooke Property Owners Association**  
Independent Accountant's Review Report (Continued)

**Prior Year Financial Statements**

Management is responsible for the accompanying financial statements of **Hiddenbrooke Property Owners Association**, which comprise the balance sheet as of June 30, 2015, 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. We performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the 2015 statements.

**Required Supplementary Information**

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. The results of our review of the basic financial statements are not affected by that missing information.

*Tery, Erlanger & Company*

August 23, 2016

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**BALANCE SHEETS  
JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

|   | <u>2016</u>                |                             | <u>2015</u>            |                        |
|---|----------------------------|-----------------------------|------------------------|------------------------|
|   | <u>Operations<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total<br/>Funds</u> | <u>Total<br/>Funds</u> |
| <b>ASSETS</b>   |                            |                             |                        |                        |
| Cash and cash equivalents (Note 2)  | \$ 197,119                 | \$ -                        | \$ 197,119             | \$ 56,684              |
| Investment in certificates of deposit (Note 2)  |                            |                             |                        | 123,671                |
| Assessments receivable, less allowance for<br>doubtful accounts of \$86,000 and \$128,000,<br>respectively (Note 2) | 24,551                     |                             | 24,551                 | 43,762                 |
| HMD fund receivable   | 1,371                      |                             | 1,371                  | 2,748                  |
|   | <u>223,041</u>             | <u>-</u>                    | <u>223,041</u>         | <u>226,865</u>         |
| Total assets  | <u>\$ 223,041</u>          | <u>\$ -</u>                 | <u>\$ 223,041</u>      | <u>\$ 226,865</u>      |
| <b>LIABILITIES</b>  |                            |                             |                        |                        |
| Accounts payable  | \$ 4,473                   | \$ -                        | \$ 4,473               | \$ 6,136               |
| Assessments paid in advance   | 56,427                     |                             | 56,427                 | 30,818                 |
| Social event liability  | 2,000                      |                             | 2,000                  | 2,183                  |
| Future major repairs and replacements (Note 3)  | -                          | -                           | -                      | -                      |
|   | <u>62,900</u>              | <u>-</u>                    | <u>62,900</u>          | <u>39,137</u>          |
| Total liabilities   | <u>62,900</u>              | <u>-</u>                    | <u>62,900</u>          | <u>39,137</u>          |
| <b>COMMITMENTS (NOTE 4)</b>   |                            |                             |                        |                        |
|   | -                          | -                           | -                      | -                      |
| <b>FUND BALANCE (DEFICIT)</b>   |                            |                             |                        |                        |
|   | <u>160,141</u>             | <u>-</u>                    | <u>160,141</u>         | <u>187,728</u>         |
| Total liabilities and fund balance  | <u>\$ 223,041</u>          | <u>\$ -</u>                 | <u>\$ 223,041</u>      | <u>\$ 226,865</u>      |

See independent accountant's review report and accompanying notes.

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES  
YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

|                                   | <u>2016</u>                |                             |                        | <u>2015</u>            |
|-----------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
|                                   | <u>Operations<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total<br/>Funds</u> | <u>Total<br/>Funds</u> |
| <b>REVENUES</b>                   |                            |                             |                        |                        |
| Assessments                       | \$ 122,100                 | \$ -                        | \$ 122,100             | \$ 67,155              |
| Fines and penalties               | 44,783                     |                             | 44,783                 | 66,101                 |
| Interest income (Note 2)          | 149                        |                             | 149                    | 365                    |
| Social committee income           | 1,360                      |                             | 1,360                  | 12,745                 |
| Late charges and other income     | 23,352                     |                             | 23,352                 | 15,965                 |
| Total revenues                    | <u>191,744</u>             | <u>-</u>                    | <u>191,744</u>         | <u>162,331</u>         |
| <b>EXPENSES</b>                   |                            |                             |                        |                        |
| <u>Administration</u>             |                            |                             |                        |                        |
| Bad debt expense                  | 60,873                     | -                           | 60,873                 | 47,744                 |
| Insurance                         | 8,279                      |                             | 8,279                  | 9,301                  |
| Legal, accounting and consulting  | 12,210                     |                             | 12,210                 | 9,165                  |
| Management                        | 56,996                     |                             | 56,996                 | 53,227                 |
| Office, printing and postage      | 24,282                     |                             | 24,282                 | 22,805                 |
|                                   | <u>162,640</u>             | <u>-</u>                    | <u>162,640</u>         | <u>142,242</u>         |
| <u>Maintenance and operations</u> |                            |                             |                        |                        |
| RAP expenses                      | 51,027                     |                             | 51,027                 |                        |
| Social events expense             | 3,923                      |                             | 3,923                  | 14,627                 |
| Other maintenance and operations  | 1,741                      |                             | 1,741                  | 399                    |
|                                   | <u>56,691</u>              | <u>-</u>                    | <u>56,691</u>          | <u>15,026</u>          |
| Total expenses                    | <u>219,331</u>             | <u>-</u>                    | <u>219,331</u>         | <u>157,268</u>         |

See independent accountant's review report and accompanying notes.

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES  
YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

|  | <u>2016</u>                |                             |                        | <u>2015</u>            |
|--|----------------------------|-----------------------------|------------------------|------------------------|
|  | <u>Operations<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total<br/>Funds</u> | <u>Total<br/>Funds</u> |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENSES</b> | \$ (27,587)                | \$ -                        | \$ (27,587)            | \$ 5,063               |
| <b>FUND BALANCE (DEFICIT),<br/>BEGINNING OF YEAR</b>     | <u>187,728</u>             | <u>-</u>                    | <u>187,728</u>         | <u>182,665</u>         |
| <b>FUND BALANCE (DEFICIT),<br/>END OF YEAR</b>           | <u>\$ 160,141</u>          | <u>\$ -</u>                 | <u>\$ 160,141</u>      | <u>\$ 187,728</u>      |

See independent accountant's review report and accompanying notes.



**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

|  | <u>2016</u>                |                             | <u>2015</u>              |
|--|----------------------------|-----------------------------|--------------------------|
|  | <u>Operations<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total<br/>Funds</u>   |
| <b>OPERATING ACTIVITIES</b>  |                            |                             |                          |
| Excess (deficiency) of revenues over expenses  | \$ (27,587)                | \$ -                        | \$ (27,587) \$ 5,063     |
| Adjustments to reconcile excess (deficiency)<br>of revenues over expenses to net cash<br>provided by operating activities: |                            |                             |                          |
| Bad debt expense   | 60,873                     | -                           | 60,873 47,744            |
| Decrease (increase) in assets:   |                            |                             |                          |
| Assessments receivable   | (41,662)                   |                             | (41,662) (50,065)        |
| HMD fund receivable  | 1,377                      |                             | 1,377 (2,748)            |
| Prepaid income taxes   |                            |                             | 123                      |
| Increase (decrease) in liabilities:  |                            |                             |                          |
| Accounts payable   | (1,663)                    |                             | (1,663) (458)            |
| Social event liability   | (183)                      |                             | (183) 2,183              |
| Assessments paid in advance  | 25,609                     |                             | 25,609 27,099            |
| Total adjustments  | 44,351                     | -                           | 44,351 23,878            |
| <b>NET CASH PROVIDED BY (USED FOR)<br/>OPERATING ACTIVITIES</b>  | <u>16,764</u>              | <u>-</u>                    | <u>16,764 28,941</u>     |
| <b>INVESTING ACTIVITIES</b>  |                            |                             |                          |
| Net (purchase) sale of certificates of deposit   | 123,671                    | -                           | 123,671 (123,671)        |
| <b>NET CASH PROVIDED BY (USED FOR)<br/>INVESTING ACTIVITIES</b>  | <u>123,671</u>             | <u>-</u>                    | <u>123,671 (123,671)</u> |

See independent accountant's review report and accompanying notes.

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

|   | <u>2016</u>                |                             | <u>2015</u>            |
|---|----------------------------|-----------------------------|------------------------|
|   | <u>Operations<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total<br/>Funds</u> |
| <b>NET INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS</b> | \$ 140,435                 | \$ -                        | \$ 140,435             |
| <b>CASH AND CASH EQUIVALENTS,<br/>BEGINNING OF YEAR</b>         | <u>56,684</u>              | <u>-</u>                    | <u>151,414</u>         |
| <b>CASH AND CASH EQUIVALENTS,<br/>END OF YEAR</b>               | <u>\$ 197,119</u>          | <u>\$ -</u>                 | <u>\$ 56,684</u>       |
| <br><u>Supplemental Disclosures</u>                             |                            |                             |                        |
| Interest paid   | <u>\$ -</u>                | <u>\$ -</u>                 | <u>\$ -</u>            |
| Income taxes paid   | <u>\$ -</u>                | <u>\$ -</u>                 | <u>\$ (123)</u>        |

See independent accountant's review report and accompanying notes.

# **HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

### **1. THE ASSOCIATION**

**Hiddenbrooke Property Owners Association** (the Association) is a common interest development located in Vallejo, California which consists of 1221 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in December 2005 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Assessments.** Association members are subject to annual assessments, usually payable in equal monthly installments, to provide funds for operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board Of Directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

**Assessments receivable** at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

See independent accountant's review report.

## **HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

### **NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of presentation.** The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

**Cash and cash equivalents.** For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

**Concentrations of credit risk.** Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of June 30, 2016 totaled approximately \$-0-.

**Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

**Fund accounting.** The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent accountant's review report.

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income taxes** are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at graduated rates from 15% to 39% on net nonmember income; in the latter case it is taxed on net nonexempt function income (which is generally similar to net nonmember income) at a flat 30% rate. California income taxes approximate 9% of taxable income.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

**Interest earned** on operations and replacement funds, net of related income taxes, is retained in said respective funds.

**Membership** in the Association is mandatory by virtue of unit ownership.

**Real and personal common property** acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

See independent accountant's review report.

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

**3. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has not completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. When such a study is completed, the reasonableness of the resulting reserve funding plan will be a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

See independent accountant's review report.

**HIDDENBROOKE PROPERTY OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 (REVIEWED) AND 2015 (COMPILED)**

**4. COMMITMENTS**

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

**5. DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 23, 2016, the date that the financial statements were available to be issued.

See independent accountant's review report.