

**ISLAND VIEW TERRACE
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS
with
Independent Accountants' Review Report

December 31, 2024

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 9, 2025

To the Board of Directors of
Island View Terrace Homeowners Association, Inc.

We have reviewed the accompanying financial statements of Island View Terrace Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2024, 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 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.

Accountants' 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 provided a reasonable basis for our conclusion.

We are required to be independent of Island View Terrace Homeowners Association, Inc. and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' 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.

Other Matter

As disclosed in note 6 to the financial statements, the Association's reserves for future major repairs and replacements are materially underfunded. The effects of this have not yet been determined by the Board of Directors.

Summarized Comparative Information

We previously reviewed Island View Terrace Homeowners Association, Inc.'s 2023 financial statements and in our conclusion dated August 1, 2024, stated that based on our review, we were not aware of any material modifications that should be made to the 2023 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2023, for it to be consistent with the reviewed financial statements from which it has been derived.

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, who 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.

FOX & STEPHENS, CPAS

A handwritten signature in black ink that reads "Fox & Stephens - CPAs". The signature is written in a cursive, flowing style.

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET DECEMBER 31, 2024

	Operating Fund	Replacement Fund	2024 Total	2023 Total
ASSETS				
Cash	\$ 44,290	\$ 72,826	\$ 117,116	\$ 162,319
Investments		51,771	51,771	
Accounts receivable	1,075		1,075	
Prepaid expenses				1,599
Total Assets	\$ 45,365	\$ 124,597	\$ 169,962	\$ 163,918
LIABILITIES				
Accounts payable	\$ 5,803		\$ 5,803	\$ 1,489
Prepaid assessments	2,328		2,328	
Income taxes payable	373		373	
Total Liabilities	8,504	-	8,504	1,489
MEMBERS' EQUITY				
Undesignated	36,861		36,861	34,983
Designated for future repairs and replacements		\$ 124,597	124,597	127,446
Total Members' Equity	36,861	124,597	161,458	162,429
Total Liabilities and Members' Equity	\$ 45,365	\$ 124,597	\$ 169,962	\$ 163,918

The accompanying notes are an integral part of these financial statements

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2024

	Operating Fund	Replacement Fund	2024 Total	2023 Total
REVENUE				
Assessments	\$ 118,752	\$ 42,648	\$ 161,400	\$ 154,800
Interest		2,163	2,163	207
Other income	2,295		2,295	1,262
Total Revenues	121,047	44,811	165,858	156,269
EXPENSES				
Insurance	15,361		15,361	8,766
Utilities	54,445		54,445	54,250
Maintenance and repairs	28,915		28,915	38,068
Reserve repairs and replacements		47,660	47,660	57,380
General and administrative	20,075		20,075	18,020
Income taxes	373		373	
Total Expenses	119,169	47,660	166,829	176,484
NET INCOME (LOSS)	1,878	(2,849)	(971)	(20,215)
ASSOCIATION FUND BALANCES				
- BEGINNING OF YEAR	34,983	127,446	162,429	182,644
ASSOCIATION FUND BALANCES				
- END OF YEAR	\$ 36,861	\$ 124,597	\$ 161,458	\$ 162,429

The accompanying notes are an integral part of these financial statements

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

	Operating Fund	Replacement Fund	2024 Total	2023 Total
OPERATING ACTIVITIES				
Net income (loss)	\$ 1,878	(\$ 2,849)	(\$ 971)	(\$ 20,215)
Net cash provided (used) by:				
Accounts receivable	(1,075)		(1,075)	488
Prepaid expenses	1,599		1,599	(438)
Accounts payable	4,314		4,314	(7,245)
Prepaid assessments	2,328		2,328	(732)
Income taxes payable	373		373	
Net Cash Provided (Used)	9,417	(2,849)	6,568	(28,142)
INVESTING ACTIVITIES				
Investment in CDs		(51,771)	(51,771)	
Net Cash Provided (Used)	-	(51,771)	(51,771)	-
FINANCING ACTIVITIES				
Net Cash Provided (Used)	-	-	-	-
NET INCREASE (DECREASE) IN CASH	9,417	(54,620)	(45,203)	(28,142)
CASH AND CASH EQUIVALENTS -				
Beginning of year	34,873	127,446	162,319	190,461
End of year	\$ 44,290	\$ 72,826	\$ 117,116	\$ 162,319

The accompanying notes are an integral part of these financial statements

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

1. Organization

Island View Terrace Homeowners Association, Inc. (the "Association") is a common interest real estate association organized as a not-for-profit corporation for purposes of maintaining and preserving common property of the association. Island View Terrace Homeowners Association, Inc. consists of 30 units and is located in the city of Rancho Cucamonga, California. The Association began its operation in October 8, 1987.

2. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transaction for potential recognition or disclosure through September 9, 2025, the date these financial statements were available to be issued.

3. Summary of Significant Accounting Policies

A. Accounting Method

The Association prepares its year-end financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, and expenses are recognized when goods or services are received, whether paid or not.

B. Fund Accounting

The 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.

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

C. Comparative Financial Statements

The financial statements include 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. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

3. Summary of Significant Accounting Policies – Continued

D. Member Assessments and Allowance for Credit Losses

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacement. Assessments are allocated equally to the members. The annual budget and members assessments are determined by the Board of Directors. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent.

The association treats uncollectible assessments as credit losses. The association evaluates the collectability of assessments receivable based on current conditions, past experience, and forecasts of future events. Based on these factors, the association believes that all of its assessments receivable are collectible. Accordingly, no allowance for credit losses at the beginning and end of year is deemed necessary.

E. Special Assessments

If the Board determines that the amount to be collected from annual assessments will be inadequate to defray the common expenses for the year due to cost of any construction, unexpected repairs or replacements of capital improvements upon the common area, it shall make a special assessment for the additional amount needed. Special assessments shall be levied and collected in the same manner as regular assessments, so that each unit bears an equal share of the total charges.

F. Revenue Recognition

Assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet and represent dues that are retained by the Association for use in the succeeding year.

G. Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Common area property not capitalized consists of, but is not limited to, pool, irrigation, lighting and recreation room. According to the Association's governing documents, three quarters of all unit owners must approve disposition of any common real property.

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

3. Summary of Significant Accounting Policies – Continued

H. Interest Earned

It is the policy of the Association to allocate interest earned to the operating fund and reserve fund from operating cash accounts and reserve cash accounts respectively.

I. Investments

The Association considers all short-term investments in federally insured financial institutions with a maturity at date of purchase of 90 days or less to be cash equivalents. It is the Association's intent to hold all investments until maturity.

J. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

K. Fair Value Measurements

The Association follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Association would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Association uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Association. Inputs refer broadly to assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable and which require significant judgement or estimation.

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

3. Summary of Significant Accounting Policies – Continued

K. Fair Value Measurements – Continued

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Association's financial instruments, none of which are held for trading purposes, include cash and investments. The estimated fair market value amounts have been determined by the Association using available market information and appropriate valuation methodologies.

L. Uncertain Tax Positions

In accordance with FASB ASC 740-10, the Association holds no uncertain tax positions and, therefore, has no policy for evaluating them. 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.

M. Variable Interest Entities

The Association considers the need to consolidate its financial statements with other entities based on its explicit and implicit financial interest in other entities. The Association has no explicit financial interest in any other entity. Any potential variable interest entity with possible implicit financial interests were evaluated by the Association and determined to have sufficient equity to cover any potential losses and to possess equity investors with controlling financial interests. Therefore, consolidated financial statements are not deemed necessary by the Association.

4. Cash and Cash Equivalents

	Operating Fund	Replacement Fund	2024 Total	2023 Total
US Bank	\$ 44,290		\$ 44,290	\$ 34,873
US Bank MMA		\$ 72,826	72,826	127,446
	<u>\$ 44,290</u>	<u>\$ 72,826</u>	<u>\$ 117,116</u>	<u>\$ 162,319</u>

5. Investments

	Operating Fund	Replacement Fund	2024 Total	2023 Total
Bank of America - CD		\$ 51,771	\$ 51,771	
	<u>\$ -</u>	<u>\$ 51,771</u>	<u>\$ 51,771</u>	<u>\$ -</u>

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

6. Future Major Repairs and Replacements

Major repairs and maintenance of the common areas are funded from the replacement fund. The Association currently funds anticipated future repair and replacement costs through the accumulation of homeowner capital assessments and earnings on such funds.

Replacement funds are amounts to be spent on future repair and replacement of selected Association common areas. A long term formal funding program is one that is based on a study that identifies specific common area components such as lights, streets, landscaping, etc., the expected replacement costs and expected remaining service lives of each, and provides plans for accumulating over time the funds that will be needed to replace each major item at the time that replacement becomes necessary.

A study to determine the adequacy of the current funding program for the replacement of Association common areas was prepared by Strategic Reserves Corporation, as of November 6, 2023. The study recommends that \$636,928 be allocated to the Replacement Fund in 2025. The Board of Directors has decided to allocate \$58,368 to the Replacement Fund in 2025 which is 9% of the recommended amount. The study also suggests that the ideal funding level for the Replacement Fund would be \$1,483,973 as of December 31, 2024. The actual cash and investment balance was \$124,597, which is 8% of the ideal balance. The study shows the reserves to be materially underfunded below their ideal levels by \$1,359,376 or \$45,313 per unit as of December 31, 2024.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed the Association has the right to increase regular assessments or delay major repairs and replacements until funds are available.

7. Commitments

The Association enters into contracts for various services, such as management and landscaping needs, in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advanced notice.

8. Owners' Assessments

Monthly assessments to owners were \$448.33 in 2024 and \$430.00 in 2023. Of those amounts, \$118.47 and \$103.33 were designated to the replacement fund in 2024 and 2023, respectively. The annual budget and assessments of owners are determined by the Board of Directors, and if assessments need to be increased more than the 20% allowed by law, a vote of the owners will be required.

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

9. Legal Matters

During the normal course of business, the Association will be involved in lawsuits related to the collection of assessments from homeowners and other matters. As of December 31, 2024, the Association does not believe there are significant legal contingencies related to these proceedings and no provision for these matters has been made in the accompanying financial statements.

10. Federal and State Income Taxes

For Federal taxation purposes the Association is a corporation that is potentially taxable on all its net income, including unspent member assessments. However, under state and federal filing elections, the Association may choose to be taxed only on its net non-membership income, which includes interest income and other miscellaneous revenues.

For the years ended December 31, 2023, the Association elected, under Internal Revenue Code Section 528, to be taxed as a homeowners association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

For the years ended December 31, 2024, the Association was taxed as a corporation subject to the membership organization provisions found in Internal Revenue Code Section 277.

For State taxation purposes, the Association is organized as a nonprofit mutual benefit corporation and is exempt under California Revenue & Taxation Code 23701(t). As such, it is exempt from taxation on its general exempt purpose revenues. However, it is subject to tax on certain non-exempt function revenue items such as interest income and other miscellaneous revenues at 8.84%.

	2024	2023
Federal Income Taxes	\$ 270	
State Income Taxes	103	
Total Taxes	\$ 373	\$ -

No cash was paid toward income taxes in 2024 and 2023.

ISLAND VIEW TERRACE HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2024

The Board of Directors of Island View Terrace Homeowners Association, Inc. had a formal replacement study completed by Strategic Reserves Corporation of Temecula, California for the year beginning January 1, 2024. The estimates used for the replacement cost are based on observation and on the firms experience to estimate the current cost to replace the components. The funding requirements considered an annual inflation factor of 3.0% and interest earnings at 1.0% and no taxes on interest.

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

Component	Estimated Useful Life (Years)	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs
Coat/Paint/Stain	1 – 9	4 – 15	\$ 112,652
Deck Compound	1 – 999	5 – 999	198,238
Equipment	1 – 25	5 – 30	176,440
Fences	30	30	22,199
Fencing	1 – 7	20 – 40	402,371
Landscaping	1 – 4	3 – 30	151,322
Pavement	1	5 – 25	26,323
Plumbing	1 – 44	5 – 50	235,038
Pools/Spas	1 – 18	5 – 25	55,932
Restoration	1 – 30	10 – 30	105,905
Roofing	2 – 4	15 – 40	244,688
			\$ 1,731,108

Members' equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property rounded to the nearest dollar. The study is available from the management and officers of the Association. A summary was sent to all owners as a part of the annual budget information.