

**VALENCIA RACQUET CLUB
HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2024

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 - 2
--	-------

FINANCIAL STATEMENTS

Balance Sheet.....	3
Statement of Revenues, Expenses and Changes in Fund Balances.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 10

SUPPLEMENTARY INFORMATION

Supplementary Schedule of Operating Fund Expenses.....	11
Supplementary Schedule - Balance Sheet before and after the implantation of FASB ASC 606.....	12
Supplementary Schedule - Statement of Revenues, Expenses, and Changes in Fund Balance before and after the implantation of FASB ASC 606	13
Supplementary Schedule of Future Major Replacements	14

SCOTT KRIVIS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
20700 VENTURA BOULEVARD, SUITE 234
WOODLAND HILLS, CA 91364
(818) 594-7200 * (818) 594-0372 FAX

Independent Accountant's Review Report

To the Board of Directors
Valencia Racquet Club Homeowners Association

We have reviewed the accompanying financial statements of Valencia Racquet Club Homeowners Association, which comprise the balance sheet as of September 30, 2024, 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 Valencia Racquet Club Homeowners 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 information included in the Schedule of Operating Fund Expenses on page 11, the balance sheet before and after the implantation of FASB ASC 606 on page 12, and the statement of revenues, expenses, and changes in fund balance before and after the implantation of FASB ASC 606 on page 13 is presented for purposes of additional analysis and is not a required part of the 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 14 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. 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.

Scott Krivis & Company

Woodland Hills, CA
December 23, 2024

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION

BALANCE SHEET SEPTEMBER 30, 2024

	OPERATING FUND	RESERVE FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$29,627	\$115,244	\$144,871
Assessments Receivable	28,337	-	28,337
Prepaid Insurance	2,251	-	2,251
Prepaid Taxes	326	-	326
Due from Reserve Fund	2,993	-	2,993
TOTAL ASSETS	\$63,534	\$115,244	\$178,778
LIABILITIES			
Accounts Payable	\$10,147	\$0	\$10,147
Prepaid Assessments	10,493	-	10,493
Due to Operating Fund	-	2,993	2,993
Contract Liabilities (Reserve fund assessments received in advance) (Note 3)	-	112,251	112,251
TOTAL LIABILITIES	20,640	115,244	135,884
FUND BALANCES	42,894	0	42,894
TOTAL LIABILITIES & FUND BALANCES	\$63,534	\$115,244	\$178,778

The accompanying notes are an integral part of these financial statements.

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
REVENUES			
Member Assessments (Note 3)	\$195,200	\$53,428	\$248,628
Miscellaneous Other Income	4,044	-	4,044
Interest Income	5	13	18
TOTAL REVENUES	199,249	53,441	252,690
EXPENSES			
Operating	124,654	-	124,654
Administrative	79,748	-	79,748
Reserve Expenses		53,441	53,441
TOTAL EXPENSES	204,402	53,441	257,843
Excess (Deficiency) of Revenues Over Expenses	(5,153)	0	(5,153)
Beginning Fund Balances	48,047	0	48,047
ENDING FUND BALANCES	\$42,894	\$0	\$42,894

The accompanying notes are an integral part of these financial statements.

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (Deficiency) of revenues over expenses	(\$5,153)	\$0	(\$5,153)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Decrease (Increase) in Assets:			
Assessments Receivable	(6,615)	-	(6,615)
Prepaid Insurance	512	-	512
Due from Reserve Fund	(2,993)	-	(2,993)
Increase (Decrease) in Liabilities:			
Accounts Payable	4,186	-	4,186
Prepaid Assessments	(362)	-	(362)
Due to Operating Fund	-	2,993	2,993
Contract Liabilities (Reserve fund assessments received in advance) (Note 3)	-	(43,428)	(43,428)
NET CASH PROVIDED (USED) BY			
 OPERATING ACTIVITIES	(10,425)	(40,435)	(50,860)
CASH FLOWS FROM INVESTING ACTIVITIES:			
NET CASH (USED) BY INVESTING ACTIVITIES	0	0	0
CASH FLOWS FROM FINANCING ACTIVITIES:			
NET CASH PROVIDED (USED) BY			
 FINANCING ACTIVITIES	0	0	0
NET INCREASE (DECREASE) IN CASH	(10,425)	(40,435)	(50,860)
CASH AT BEGINNING OF YEAR	40,052	155,679	195,731
CASH AT END OF YEAR	\$29,627	\$115,244	\$144,871
SUPPLEMENTAL DISCLOSURE:			
Income Taxes Paid			\$0
Interest Paid			\$0

The accompanying notes are an integral part of these financial statements.

**VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Valencia Racquet Club Homeowners Association (the "Association"), incorporated in the state of California in October 1974, is an Association organized and operated to provide for the management, maintenance and care of Association property and common areas. The Association is a 180 unit planned residential development located in Santa Clarita, CA. In addition to such duties, the Association maintains architectural control, enforces its protective restrictions, and promotes the general welfare of the community comprising the Association.
- B. The Association's books are maintained on the accrual method of accounting. As a result, revenues are recorded when earned, and expenses are recorded when incurred.
- C. The Association is a not-for-profit organization which employs a fund method of accounting. The fund method properly accounts for restrictions on the expenditures resulting from actions of the Board of Directors or the Association voting membership.

These financial statements separate funds into two classes. The first is the operating fund; these are funds whose disposition is at the discretion of the Board of Directors and the property manager and are generally used for operating expenses. The second is the restricted Reserves; these are to be used for replacement of common area expenditures and may be lent to the operating fund to be repaid within one year for general operating purposes.

It is the Association's policy that any excess funds at the end of the operating year will be allocated to the following year or held as additional funds for the replacement of Association assets.

- D. The Association's checking and savings accounts are maintained by the Association's manager, and the primary accounting records are maintained by Finch & Associates located in Valencia, CA.
- E. Association members are subject to monthly assessments of \$95 for the fiscal year ended September 30, 2024, and \$95 for the fiscal year ended September 30, 2025. The assessment receivable balance as of September 30, 2024, represents the quarterly assessments, late fees, fines, and other charges due from the homeowners. The Association uses the allowance method to account for bad debts. As of September 30, 2024, the Association has reserved \$0 for uncollectible accounts.

**VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- F. The Association has used estimates in the preparation of the financial statements to be in conformity with generally accepted accounting principles. Actual results could differ from those estimates.
- G. The Association considers all Money Market Accounts to be cash equivalents.
- H. Real property and common areas acquired by the original homeowners from the developer are owned by the individual owners in common and are not capitalized on the Association's financial statements. Replacements and improvements to the real property and common areas also belong to the owners and are not capitalized on the Association's financial statements.

NOTE 2 - REPLACEMENT RESERVES

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations. A formal independent reserve study determines the adequacy or deficiency of the association's actual reserves compared to the calculated reserve requirement. Actual replacement costs and major improvements are utilized to determine the optimum reserve requirement. An independent reserve study was conducted by Association Reserves on February 14, 2024. The total replacement cost of reserve items is \$288,000 and the ideal reserve funding is \$201,364. As of September 30, 2024, the cash balance in the reserve fund was \$115,244 to fund future replacements with 57% of the ideal reserves funded. The additional funding needed so that the ideal reserves are fully funded is \$86,120.

Funds are being accumulated in the replacement fund based on estimated future costs repairs and replacements of common property components. 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 not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – Common Interest Realty Associations (CIRA), Revenue Recognition, and requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods and services.

The Association adopted the requirements of the new guidance as of October 1, 2021, using the modified retrospective method of transition, which required the cumulative effect of the changes related to the adoption be charged to the beginning balance. The Association applied the new guidance using the practical expedient in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of October 1, 2021. Adoption of the new guidance resulted in changes to the Association's accounting policies for assessment revenue and contract liabilities related to the reserve fund, as previously described.

The effect of the adoption was a decrease in the September 30, 2022, reserve fund assessments and a recording of a contract liability (reserve fund assessments received in advance) as the Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The following are the line items from the Association's balance sheet as of September 30, 2024, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balance reported under the new guidance:

	<u>Amounts that would have been reported</u>	<u>Effect of applying new guidance</u>	<u>As reported</u>
Reserve fund liabilities:			
Contract Liabilities (reserve fund assessments received in advance)	\$0	\$112,251	\$112,251
Total liabilities	\$2,993	\$112,251	\$115,244
Total fund balance:			
Ending fund balance	\$155,145	(\$112,251)	\$42,894

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION, CONTINUED

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended September 30, 2024, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	<u>Amounts that would have been reported</u>	<u>Effect of applying new guidance</u>	<u>As reported</u>
Total revenue and expenses:			
Member Assessments	\$205,200	\$43,428	\$248,628
Excess (deficiency) of revenues over expenses	(\$48,581)	\$43,428	(\$5,153)
Total cash flows:			
Excess (deficiency) of revenues over expenses	(\$48,581)	\$43,428	(\$5,153)
Decrease in contract liabilities (reserve fund assessments received in advance)	\$0	(\$43,428)	(\$43,428)

NOTE 4 - INCOME TAXES

Valencia Racquet Club Homeowners' Association files income taxes on a fiscal year end. The Association has elected to be taxed as a homeowner association under the provisions of Section 528 of the Internal Revenue Code. Accordingly, the Association has taxable income of \$0 and a federal income tax liability of \$0 for the year ended September 30, 2024.

The Association has been granted a Section 23701 (t) exemption by the State of California. Any net income from sources other than membership dues, fees, and assessments (exempt-function income) is taxable if it exceeds \$100 per year. The Association has non-exempt function net income of \$0 for the fiscal year ended September 30, 2024. State income tax liability on this net income is \$0.

**VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 23, 2024, the date that the financial statements were available to be issued.

NOTE 6 – EXPLANATION OF REVIEW

Section 1730 of the California Civil Code requires that a reviewed financial statement be prepared by a Certified Public Accountant if the Association dues exceed \$75,000 annually. However, it is important to note that the By-Laws under Article VIII Section 8(d) (Page 4) require an annual audit. An audit would be significantly more comprehensive and expensive than reviewed financial statements. The Board of Directors is aware that this paragraph under Article VIII must be amended to read that an annual review rather than an annual audit be required.

VALENCIA RACQUET CLUB HOA

SUPPLEMENTARY SCHEDULE OF OPERATING FUND EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2024

OPERATING EXPENSES

Clubhouse Repairs & Maintenance	\$23,787
Electricity	12,002
Gas	3,734
Grounds Care	32,128
Landscaping & Gardening	24,645
Lifeguards	5,938
Pool Maintenance & Supplies	8,059
Water & Sewer	14,361

TOTAL OPERATING EXPENSES

124,654

ADMINISTRATIVE EXPENSES

Administrative Expenses	8,369
Insurance	14,044
Management Fee	33,950
Professional Fees	19,623
Reserve Study	1,800
Taxes and Licenses	1,962

TOTAL ADMINISTRATIVE EXPENSES

79,748

TOTAL OPERATING FUND EXPENSES

\$204,402

The accompanying notes are an integral part of these financial statements.

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION

SUPPLEMENTARY SCHEDULE - BALANCE SHEET BEFORE AND AFTER IMPLEMENTATION OF FASB ASC 606 (SEE NOTE 3) SEPTEMBER 30, 2024

	Amounts before implementation of FASB ASC 606 (See Note 3)			Effect of applying FASB ASC 606 (Note 3)	Amounts after implementation of FASB ASC 606 (See Note 3)		
	OPERATING FUND	RESERVE FUND	TOTAL	RESERVE FUND	OPERATING FUND	RESERVE FUND	TOTAL
ASSETS							
Cash and Cash Equivalents	\$29,627	\$115,244	\$144,871	-	\$29,627	\$115,244	\$144,871
Assessments Receivable	28,337	-	28,337	-	28,337	-	28,337
Prepaid Insurance	2,251	-	2,251	-	2,251	-	2,251
Prepaid Taxes	326	-	326	-	326	-	326
Due from Reserve Fund	2,993	-	2,993	-	2,993	-	2,993
TOTAL ASSETS	\$63,534	\$115,244	\$178,778	\$0	\$63,534	\$115,244	\$178,778
LIABILITIES							
Accounts Payable	\$10,147	\$0	\$10,147	-	\$10,147	\$0	\$10,147
Prepaid Assessments	10,493	-	10,493	-	10,493	-	10,493
Due to Operating Fund	-	2,993	2,993	-	-	2,993	2,993
Contract Liabilities (Reserve fund assessments received in advance) (Note 3)	-	-	-	112,251	-	112,251	112,251
TOTAL LIABILITIES	20,640	2,993	23,633	112,251	20,640	115,244	135,884
FUND BALANCES	42,894	112,251	155,145	(112,251)	42,894	0	42,894
TOTAL LIAB & FUND BALANCES	\$63,534	\$115,244	\$178,778	\$0	\$63,534	\$115,244	\$178,778

The accompanying notes are an integral part of these financial statements.

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION

SUPPLEMENTARY SCHEDULE - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES BEFORE AND AFTER IMPLEMENTATION OF FASB ASC 606 (SEE NOTE 3) FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Amounts before implementation of FASB ASC 606 (See Note 3)			Effect of applying FASB ASC 606 (Note 3)	Amounts after implementation of FASB ASC 606 (See Note 3)		
	OPERATING FUND	RESERVE FUND	TOTAL	RESERVE FUND	OPERATING FUND	RESERVE FUND	TOTAL
REVENUES							
Member Assessments	\$195,200	\$10,000	\$205,200	\$43,428	\$195,200	\$53,428	\$248,628
Miscellaneous Other Income	4,044	-	4,044	-	4,044	-	4,044
Interest Income	5	13	18	-	5	13	18
TOTAL REVENUES	199,249	10,013	209,262	43,428	199,249	53,441	252,690
EXPENSES							
Operating	124,654	-	124,654	-	124,654	0	124,654
Administrative	79,748	-	79,748	-	79,748	0	79,748
Reserve Fund Expenses	-	53,441	53,441	-	0	53,441	53,441
TOTAL EXPENSES	204,402	53,441	257,843	0	204,402	53,441	257,843
Excess (Deficiency) of Revenues Over Expenses	(5,153)	(43,428)	(48,581)	43,428	(5,153)	0	(5,153)
Beginning Fund Balances	48,047	155,679	203,726	(155,679)	48,047	0	48,047
ENDING FUND BALANCES	\$42,894	\$112,251	\$155,145	(\$112,251)	\$42,894	\$0	\$42,894

The accompanying notes are an integral part of these financial statements.

VALENCIA RACQUET CLUB HOMEOWNERS ASSOCIATION

SUPPLEMENTARY SCHEDULE OF FUTURE MAJOR REPLACEMENTS SEPTEMBER 30, 2024

COMPONENT	ESTIMATED EXPIRED LIFE (1)	EXPECTED REPLACEMENT COST (1)	IDEAL RESERVES FUNDED (1)	CURRENT RESERVES
Reserve Fund Cash Balance				\$115,244
HVAC System -Replace	10/25	\$9,800	\$3,920	
Pole Style Lights - Replace	37/30	2,400	2,160	
Assorted Lights - Replace	24/25	4,700	4,512	
Tennis Court Lights - Replace	26/30	20,500	17,767	
Play Equipment - Replace	19/20	20,500	19,475	
Play Surface - Replace	9/10	5,100	4,590	
Iron Fencing - Repair	6/8	8,950	6,713	
Carpeting - Replace	1/10	5,500	550	
Tile Flooring - Replace	21/25	7,150	6,006	
Door Panic Hardware -Replace	20/20	4,700	4,700	
Water Heater - Replace	15/15	3,500	3,500	
Appliances - Replace	20/20	2,950	2,950	
Furniture - Replace	18/18	4,850	4,850	
Window Treatments - Replace	15/15	2,400	2,400	
Bathrooms - Refurbish	19/20	9,950	9,453	
Kitchen - Refurbish	20/20	9,500	9,500	
Shower - Refurbish	19/820	1,700	1,615	
Metal Fence/Rail - Repaint	4/4	10,900	10,900	
Pool Fence - Repaint	4/4	5,350	5,350	
Interior Surfaces - Repaint	1/8	4,500	563	
Recreation Buildings - Repaint	1/8	10,800	1,350	
Patio Covers - Replace (Pool)	22/25	5,900	5,192	
Patio Covers - Replace (rec bldg.)	22/25	7,350	6,468	
Pool - Resurface	1/12	17,600	1,467	
Spa - Resurface	5/6	7,000	5,833	
Pool Filter - Replace	6/12	1,700	850	
Spa Filter - Replace	12/12	1,350	1,350	
Spa Heater - Replace	9/10	5,000	4,500	
Pool/Spa Pumps - Replace	5/10	3,900	1,950	
Tile Roof - Replace Underlayment	28/30	7,100	6,625	
Tile Roof - Replace Underlayment	9/25	33,500	12,060	
Signage - Refurbish	15/18	1,700	1,417	
Tennis Court - Resurface	10/10	16,000	16,000	
Tennis Court Windscreen - Replace	9/10	3,950	3,555	
Basketball Court - Resurface	10/10	5,300	5,300	
Termites - Treat	1/5	6,000	1,200	
Card Key Entry System - Replace	8/15	8,950	4,773	
TOTAL		\$288,000	\$201,364	\$115,244

(1) Per the reserve study dated February 14, 2024

The accompanying notes are an integral part of these financial statements.