

**KENT WOODLANDS PROPERTY OWNERS ASSOCIATION
KENTFIELD, CALIFORNIA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members
Kent Woodlands Property Owners Association
Kentfield, California

Report on the Financial Statements

We have reviewed the accompanying financial statements of Kent Woodlands Property Owners Association which comprise the balance sheet as of December 31, 2021, and the related statement 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 Kent Woodlands Property Owners Association's 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 American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis of reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the 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 Kent Woodlands Property Owners 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 the accounting principles generally accepted in the United States of America.

Other Matters

Kent Woodlands Property Owners Association has not estimated future common property maintenance expenditures because the amounts are considered immaterial and, therefore, has not presented supplemental information of estimated future expenditures from its reserve fund and its future funding requirements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Report on Summarized Comparative Information

We have previously reviewed Kent Woodlands Property Owners Association's 2020 financial statements and in our report dated March 15, 2021, stated that based on our procedures, we were not aware of any material modifications that should be made to the December 31, 2020 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are unaware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 16, 2022

Kent Woodlands Property Owners Association

BALANCE SHEETS

December 31, 2021

(With Comparative Totals for December 31, 2020)

	Operating Fund	Reserve Fund	Total 2021	Total 2020
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 191,999	\$ 75,000	\$ 266,999	\$ 370,450
Prepaid expenses and other current assets	3,116	-	3,116	3,050
Total current assets	<u>195,115</u>	<u>75,000</u>	<u>270,115</u>	<u>373,500</u>
Noncurrent assets:				
Land	4,490	-	4,490	4,490
Total noncurrent assets	<u>4,490</u>	<u>-</u>	<u>4,490</u>	<u>4,490</u>
Total assets	<u>\$ 199,605</u>	<u>\$ 75,000</u>	<u>\$ 274,605</u>	<u>\$ 377,990</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Current liabilities:				
Accounts payable	\$ 2,339	\$ -	\$ 2,339	\$ 8,229
Total current liabilities	<u>2,339</u>	<u>-</u>	<u>2,339</u>	<u>8,229</u>
Fund balances:				
Fund balance	197,266	75,000	272,266	369,761
Total fund balances	<u>197,266</u>	<u>75,000</u>	<u>272,266</u>	<u>369,761</u>
Total liabilities and fund balances	<u>\$ 199,605</u>	<u>\$ 75,000</u>	<u>\$ 274,605</u>	<u>\$ 377,990</u>

See notes to the financial statements and independent accountant's review report.

Kent Woodlands Property Owners Association
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Operating Fund	Reserve Fund	Total 2021	Total 2020
Revenues:				
Residential assessments	\$ 83,469	\$ -	\$ 83,469	\$ 131,551
Design review fees	40,664	-	40,664	22,029
Fine income	-	-	-	39,750
Disclosure packages fees	5,000	-	5,000	6,230
Interest and other income	313	-	313	2,774
Total revenues	129,446	-	129,446	202,334
Expenses:				
Secretarial payroll	38,585	-	38,585	37,389
Design review	63,139	-	63,139	44,737
Rent	21,732	-	21,732	21,320
Insurance	12,047	-	12,047	11,902
Office expenses	15,831	-	15,831	18,908
Planning consultant	9,030	-	9,030	-
Accounting	4,800	-	4,800	4,800
Legal fees	7,888	-	7,888	20,084
Social committee, net of reimbursements	13,206	-	13,206	133
Fire safety	6,376	-	6,376	-
Utilities	990	-	990	1,012
Landscaping and maintenance services	21,214	-	21,214	1,980
Taxes	9,506	-	9,506	1,520
LPR cameras	2,597	-	2,597	2,342
Total expenses	226,941	-	226,941	166,127
Revenues in excess of expenses	(97,495)	-	(97,495)	36,207
Fund balances, beginning of year	<u>294,761</u>	<u>75,000</u>	<u>369,761</u>	<u>333,554</u>
Fund balances, end of year	\$ 197,266	\$ 75,000	\$ 272,266	\$ 369,761

See notes to the financial statements and independent accountant's review report.

Kent Woodlands Property Owners Association
STATEMENTS OF CASH FLOWS
 For the Year Ended December 31, 2021
 (With Comparative Totals for the Year Ended December 31, 2020)

	Operating Fund	Reserve Fund	Total 2021	Total 2020
Cash flows from operating activities:				
Revenues in excess of expenses	\$ (97,495)	\$ -	\$ (97,495)	\$ 36,207
Adjustments to reconcile revenues in excess of expenses to net cash provided by operating activities:				
Changes in certain assets and liabilities:				
Prepaid expenses and other current assets	(66)	-	(66)	(28)
Accounts payable	<u>(5,890)</u>	<u>-</u>	<u>(5,890)</u>	<u>(5,244)</u>
Net cash provided (used) by operating activities	<u>(103,451)</u>	<u>-</u>	<u>(103,451)</u>	<u>30,935</u>
Net increase (decrease) in cash during the year	(103,451)	-	(103,451)	30,935
Cash balance, beginning of year	<u>295,450</u>	<u>75,000</u>	<u>370,450</u>	<u>339,515</u>
Cash balance, end of year	<u><u>\$ 191,999</u></u>	<u><u>\$ 75,000</u></u>	<u><u>\$ 266,999</u></u>	<u><u>\$ 370,450</u></u>

See notes to the financial statements and independent accountant's review report.

Kent Woodlands Property Owners Association
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - GENERAL

Kent Woodlands Property Owners Association (the Association) is a California nonprofit mutual benefit corporation that was established on June 1, 1966. The Association's purpose is to enforce the rules and regulations adopted by the Board of Directors, the covenants, conditions and restrictions as set forth in the *First Restated Declaration of Covenants, Conditions, and Restrictions for Kent Woodlands*, and the deed restrictions encumbering certain lots and parcels within the Kent Woodlands real estate common interest development located in the County of Marin, California. The Association was also organized to own, repair, maintain and manage the common property of Kent Woodlands, and to otherwise enhance and promote the use and enjoyment of Kent Woodlands.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and fiscal records of the Association are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether these support and revenues or expenses were received or paid as of the end of a fiscal period.

B. Fund Accounting and Reserve Fund

The Association uses fund accounting, which requires that funds, such as operating funds and reserve funds, be classified separately for accounting and reporting purposes. The Association maintains a reserve fund primarily to pay for extraordinary expenditures that cannot be funded by the operating fund, such as substantial maintenance of its common property or legal action necessary to enforce its regulations. Disbursements from the reserve fund and operating fund are generally at the discretion of the Board of Directors. Disbursements from the reserve fund generally may be made only for designated purposes.

C. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and liquid investments such as certificates of deposit.

D. Property and Equipment

Property and equipment is depreciated using straight-line methods over their estimated useful lives ranging from three to seven years. As of December 31, 2021 and December 31, 2020, the Association's property consists of land with a historical cost of \$4,490 and \$4,490, respectively. No depreciation expense is taken on the land.

Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its useful life are charged to expense as incurred.

Kent Woodlands Property Owners Association
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (concluded)

E. Residential Assessments and Allowance for Uncollectible Assessments

Members are subject to an annual assessment to provide funds for the Association's operating expenses and the funding of its reserve fund. The annual budget and member's assessments are determined by the Association's Board of Directors. Assessments receivable represents fees due from members at the balance sheet date. At December 31, 2021, assessments receivable were immaterial. The Board of Directors has the authority to levy special assessments against its members and their lots. Certain assessments require prior membership majority approval. Specific related information is available in the *First Restated Declaration of Covenants, Conditions, and Restrictions for Kent Woodlands*.

F. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

G. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters for which the Association carries commercial insurance.

H. Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 16, 2022, the date the financial statements were available to be issued.

I. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Kent Woodlands Property Owners Association's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

J. Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Kent Woodlands Property Owners Association
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - INCOME TAXES

Property owner associations may be taxed either as an owner association or as a regular corporation. For the year ended December 31, 2021, the Association was taxed as an owner association. Under that election, the Association is taxed on its nonexempt function net income, such as interest income and certain nonexempt function expenses, at a flat rate of 30%. Exempt function income, which consists of member assessments and other member fees, is not taxable.

The Association has analyzed the various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. Additionally, the Association believes that no accrual for tax liabilities is necessary. Therefore, no reserves for uncertain income tax positions have been accrued.

NOTE 4 - CASH AND CASH EQUIVALENTS

The cash balances as of December 31 were as follows:

	2021	2020
Bank of America	\$ 10,991	\$ 64,507
Charles Schwab - Money Market	256,008	205,943
Charles Schwab - CD	-	100,000
Total	<u>\$ 266,999</u>	<u>\$ 370,450</u>
Operating Fund	\$ 191,999	\$ 295,450
Reserve Fund	75,000	75,000
Total	<u>\$ 266,999</u>	<u>\$ 370,450</u>

The bank balances were insured under the \$250,000 blanket umbrella by the FDIC. The remaining balances were uninsured and held by the financial institutions in the Association's name. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE 5 - LEASE COMMITMENTS

The Association leases its administrative office through October 31, 2023. The current monthly rent is \$1,866. Rent expense for the years ended December 31, 2021 and December 31, 2020 was \$21,732 and \$21,320, respectively. The minimum annual rent commitment related to the remaining lease term is as follows.

For the year ended December 31, 2022	\$ 20,940
For the year ended December 31, 2023 (through October 31, 2023)	17,450
Total	<u>\$ 38,390</u>

NOTE 6 - RESERVE FUND

The Association maintains a reserve fund primarily to pay for extraordinary expenditures that cannot be funded by the operating fund, such as substantial maintenance of its common property or legal action necessary to enforce its regulations. Disbursements from the reserve fund are generally at the discretion of the Board of Directors. Disbursements from the reserve fund generally may be made only for designated purposes. The Reserve Fund as of December 31, 2021 and December 31, 2020 was \$75,000 and \$75,000, respectively.

Kent Woodlands Property Owners Association
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 - CONTINGENCY - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Association's operations included restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.