

KENT WOODLANDS PROPERTY OWNERS ASSOCIATION

KENTFIELD, CALIFORNIA

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND DECEMBER 31, 2019

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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 sheets as of December 31, 2020 and December 31, 2019, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years 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 the financial statements in accordance with the accounting principles generally accepted in the United States of America. Management is also responsible for 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.

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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 15, 2021

Kent Woodlands Property Owners Association
BALANCE SHEETS
 December 31, 2020
 (With Comparative Totals for December 31, 2019)

	Operating Fund	Reserve Fund	Total 2020	Total 2019
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 295,450	\$ 75,000	\$ 370,450	\$ 339,515
Prepaid expenses and other current assets	3,050	-	3,050	3,022
Total current assets	298,500	75,000	373,500	342,537
Noncurrent assets:				
Land	4,490	-	4,490	4,490
Total noncurrent assets	4,490	-	4,490	4,490
Total assets	\$ 302,990	\$ 75,000	\$ 377,990	\$ 347,027
<u>LIABILITIES AND FUND BALANCES</u>				
Current liabilities:				
Accounts payable	\$ 8,229	\$ -	\$ 8,229	\$ 13,473
Total current liabilities	8,229	-	8,229	13,473
Fund balances:				
Fund balance	294,761	75,000	369,761	333,554
Total fund balances	294,761	75,000	369,761	333,554
Total liabilities and fund balances	\$ 302,990	\$ 75,000	\$ 377,990	\$ 347,027

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, 2020
 (With Comparative Totals for the Year Ended December 31, 2019)

	Operating Fund	Reserve Fund	Total 2020	Total 2019
Revenues:				
Residential assessments	\$ 131,551	\$ -	\$ 131,551	\$ 132,214
Design review fees	22,029	-	22,029	53,250
Fine income	39,750	-	39,750	-
Disclosure packages fees	6,230	-	6,230	3,785
Interest and other income	2,774	-	2,774	3,431
Total revenues	202,334	-	202,334	192,680
Expenses:				
Secretarial payroll	37,389	-	37,389	43,261
Design review	44,737	-	44,737	52,799
Rent	21,320	-	21,320	19,069
Insurance	11,902	-	11,902	11,619
Office expenses	18,908	-	18,908	18,885
Accounting	4,800	-	4,800	3,820
Legal fees	20,084	-	20,084	13,911
Social committee, net of reimbursements	133	-	133	11,555
Utilities	1,012	-	1,012	842
Landscaping and maintenance services	1,980	-	1,980	4,757
Taxes	1,520	-	1,520	432
LPR cameras	2,342	-	2,342	1,080
Other	-	-	-	2,929
Total expenses	166,127	-	166,127	184,959
Revenues in excess of expenses	36,207	-	36,207	7,721
Fund balances, beginning of year	258,554	75,000	333,554	325,833
Fund balances, end of year	\$ 294,761	\$ 75,000	\$ 369,761	\$ 333,554

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, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Operating Fund	Reserve Fund	Total 2020	Total 2019
Cash flows from operating activities:				
Revenues in excess of expenses	\$ 36,207	\$ -	\$ 36,207	\$ 7,721
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	(28)	-	(28)	4,829
Accounts payable	(5,244)	-	(5,244)	9,801
Net cash provided (used) by operating activities	30,935	-	30,935	22,351
Net increase (decrease) in cash during the year	30,935	-	30,935	22,351
Cash balance, beginning of year	264,515	75,000	339,515	317,164
Cash balance, end of year	\$ 295,450	\$ 75,000	\$ 370,450	\$ 339,515

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

Kent Woodlands Property Owners Association
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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, 2020 and December 31, 2019, 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, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020, 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 15, 2021, the date the financial statements were available to be issued.

I. Implementation of Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Association adopted the standards on January 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Association adopted the standards on January 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

Kent Woodlands Property Owners Association
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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.

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, 2020, 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:

	<u>2020</u>	<u>2019</u>
Bank of America	\$ 64,507	\$ 36,151
Charles Schwab - Money Market	205,943	203,364
Charles Schwab - CD with expiration date of 2/1/21	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 370,450</u>	<u>\$ 339,515</u>
Operating Fund	\$ 295,450	\$ 264,515
Reserve Fund	<u>75,000</u>	<u>75,000</u>
Total	<u>\$ 370,450</u>	<u>\$ 339,515</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.

Kent Woodlands Property Owners Association
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 5 - LEASE COMMITMENTS

The Association leases its administrative office through October 31, 2023. The current monthly rent is \$1,745. Rent expense for the years ended December 31, 2020 and December 31, 2019 was \$21,320 and \$19,069, respectively. The minimum annual rent commitment related to the remaining lease term is as follows.

For the year ended December 31, 2021	\$ 20,940
For the year ended December 31, 2022	20,940
For the year ended December 31, 2023 (through October 31, 2023)	<u>17,450</u>
Total	<u>\$ 59,330</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, 2020 and December 31, 2019 was \$75,000 and \$75,000, respectively.

NOTE 7 - 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, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Association's operations includes 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.