

**PARK LAND OF MONTEREY, INC.  
DBA DEL MONTE BEACH TOWNHOUSES**

---

REVIEWED FINANCIAL STATEMENTS  
and  
ACCOUNTANT'S REPORT

for the years ended

AUGUST 31, 2019 and 2018

---

**-DRAFT-**

Grace CPAs, LLP  
Certified Public Accountants & Consultants  
2600 Garden Road, Suite 320  
Monterey, California 93940

**PARK LAND OF MONTEREY, INC.  
D.B.A. DEL MONTE BEACH TOWNHOUSES  
TABLE OF CONTENTS**

|  | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT ACCOUNTANT'S REVIEW REPORT   | 1           |
| FINANCIAL STATEMENTS   |             |
| Balance Sheets   | 2           |
| Statements of Revenues, Expenses<br>and Changes in Fund Balances               | 3           |
| Statements of Cash Flows   | 4           |
| NOTES TO FINANCIAL STATEMENTS  | 5           |
| SUPPLEMENTARY INFORMATION  |             |
| Schedule of Operating Fund Revenues and Expenses<br>Budget and Actual          | 9           |
| Required Supplementary Information on Future<br>Major Repairs and Replacements | 10          |

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
Park Land of Monterey, Inc., dba Del Monte Beach Townhouses

We have reviewed the accompanying financial statements of Park Land of Monterey, Inc., dba Del Monte Beach Townhouses, which comprise the balance sheets as of August 31, 2019 and 2018, 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 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.

**Accountant's 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 accordance with accounting principles generally accepted in the United States of America.

**Supplementary Information**

The accompanying supplementary information in the schedule of operating fund revenues and expenses-budget to actual is presented for purposes of additional analysis and is not a required part of the basic 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, (except for the budget information, which was compiled without audit or review, and on which we do not express an opinion, a conclusion, nor provide any assurance) 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 9 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, 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. Such information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

*Grace CPAs, LLP*

Monterey, California  
June 16, 2020

**PARK LAND OF MONTEREY, INC.**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
**BALANCE SHEETS**  
August 31, 2019 and 2018

| <b>ASSETS</b>                        | 2019              |                     |            | 2018       |
|--------------------------------------|-------------------|---------------------|------------|------------|
|                                      | Operating<br>Fund | Replacement<br>Fund | Total      | Total      |
| Current assets                       |                   |                     |            |            |
| Cash and cash equivalents            | \$ 87,700         | \$ 285,588          | \$ 373,288 | \$ 67,007  |
| Assessments receivable               | 2,546             | -                   | 2,546      | 2,249      |
| Prepaid expenses                     | 15,259            | -                   | 15,259     | 13,273     |
| Prepaid income taxes                 | -                 | -                   | -          | 238        |
| Remote inventory                     | 1,085             | -                   | 1,085      | 509        |
| Certificates of deposit              | -                 | -                   | -          | 504,529    |
|                                      | 106,590           | 285,588             | 392,178    | 587,805    |
| Total current assets                 | 106,590           | 285,588             | 392,178    | 587,805    |
| Total assets                         | \$ 106,590        | \$ 285,588          | \$ 392,178 | \$ 587,805 |
| <b>LIABILITIES AND FUND BALANCES</b> |                   |                     |            |            |
| Current liabilities                  |                   |                     |            |            |
| Accounts payable                     | \$ 9,744          | \$ 6,209            | \$ 15,953  | 9,171      |
| Assessments received in advance      | 27,458            | -                   | 27,458     | 36,969     |
| Income taxes payable                 | 671               | -                   | 671        | 258        |
|                                      | 37,873            | 6,209               | 44,082     | 46,398     |
| Total current liabilities            | 37,873            | 6,209               | 44,082     | 46,398     |
| Fund balances                        | 68,717            | 279,379             | 348,096    | 541,407    |
| Total liabilities and fund balances  | \$ 106,590        | \$ 285,588          | \$ 392,178 | \$ 587,805 |

See accompanying notes and independent accountant's review report.

**PARK LAND OF MONTEREY, INC.**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
For the Years Ended August 31, 2019 and 2018

|  | 2019             |                   | 2018              |                   |
|--|------------------|-------------------|-------------------|-------------------|
|  | Operating Fund   | Replacement Fund  | Total             | Total             |
| <b>REVENUE</b>   |                  |                   |                   |                   |
| Member assessments                                     | \$ 205,200       | \$ 154,835        | \$ 360,035        | \$ 342,000        |
| Interest income  | 214              | 4,421             | 4,635             | 3,268             |
| Late charges/chargeback                                | 608              | -                 | 608               | (164)             |
| Other income   | 1,520            | -                 | 1,520             | -                 |
| Total revenue  | <u>207,542</u>   | <u>159,256</u>    | <u>366,798</u>    | <u>345,104</u>    |
| <b>EXPENSES</b>  |                  |                   |                   |                   |
| Accounting   | 2,575            | -                 | 2,575             | 2,500             |
| Disposal service                                       | 6,722            | -                 | 6,722             | 6,276             |
| Electricity and gas                                    | 8,086            | -                 | 8,086             | 11,488            |
| Fire extinguisher maintenance                          | 1,130            | -                 | 1,130             | 977               |
| Gate expense   | 1,898            | -                 | 1,898             | 2,526             |
| Insurance  | 37,680           | -                 | 37,680            | 42,888            |
| Landscaping  | 24,675           | -                 | 24,675            | 25,516            |
| Landscaping Supplies                                   | 5,145            | -                 | 5,145             | 7,251             |
| Landscaping tree service                               | 50               | -                 | 50                | 51                |
| Legal  | 1,879            | -                 | 1,879             | -                 |
| Licenses/Permits                                       | 630              | -                 | 630               | 651               |
| Lighting   | 1,158            | -                 | 1,158             | 1,382             |
| Management   | 21,600           | -                 | 21,600            | 21,600            |
| Miscellaneous  | 3,599            | -                 | 3,599             | 4,282             |
| Pest control   | 3,400            | -                 | 3,400             | 9,154             |
| Pool maintenance and supplies                          | 4,728            | -                 | 4,728             | 5,041             |
| Rental-parking   | 17,760           | -                 | 17,760            | 17,760            |
| Repairs and maintenance                                | 3,684            | 381,780           | 385,464           | 153,916           |
| Reserve study  | -                | 1,000             | 1,000             | 950               |
| Roof maintenance                                       | -                | -                 | -                 | 262               |
| Sewer  | 2,367            | -                 | 2,367             | 2,324             |
| Taxes- Federal/State                                   | 919              | -                 | 919               | 790               |
| Taxes- Property  | 1,565            | -                 | 1,565             | 1,455             |
| Water  | 26,079           | -                 | 26,079            | 24,049            |
| Operating Contingency                                  | -                | -                 | -                 | -                 |
| Total expenses   | <u>177,329</u>   | <u>382,780</u>    | <u>560,109</u>    | <u>343,089</u>    |
| Excess (deficiency) of operating revenue over expenses | 30,213           | (223,524)         | (193,311)         | 2,015             |
| Beginning fund balances                                | <u>26,991</u>    | <u>514,416</u>    | <u>541,407</u>    | <u>539,392</u>    |
| Interfund transfers                                    | <u>11,513</u>    | <u>(11,513)</u>   | <u>-</u>          | <u>-</u>          |
| Ending fund balances                                   | <u>\$ 68,717</u> | <u>\$ 279,379</u> | <u>\$ 348,096</u> | <u>\$ 541,407</u> |

See accompanying notes and independent accountant's review report.

**PARK LAND OF MONTEREY, INC.**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended August 31, 2019 and 2018

|   | 2019              |                     | 2018              |                  |
|---|-------------------|---------------------|-------------------|------------------|
|   | Operating<br>Fund | Replacement<br>Fund | Total             | Total            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                   |                     |                   |                  |
| Excess of revenues over expenses  | \$ 30,213         | \$ (223,524)        | \$ (193,311)      | \$ 2,015         |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: |                   |                     |                   |                  |
| (Increase) decrease in:   |                   |                     |                   |                  |
| Assessments receivable  | (297)             | -                   | (297)             | 4,968            |
| Prepaid expenses  | (1,986)           | -                   | (1,986)           | 1,317            |
| Prepaid income taxes  | 238               | -                   | 238               | 162              |
| Gate remotes  | (576)             | -                   | (576)             | 550              |
| Increase (decrease) in:   |                   |                     |                   |                  |
| Accounts payable  | 2,170             | 4,612               | 6,782             | (1,766)          |
| Prepaid assessments   | (9,511)           | -                   | (9,511)           | 9,458            |
| Income taxes payable  | 413               | -                   | 413               | 46               |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>20,664</b>     | <b>(218,912)</b>    | <b>(198,248)</b>  | <b>16,750</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                     |                   |                  |
| Proceeds from sale of CDs   | -                 | 914,180             | 914,180           | -                |
| Purchase of CDs   | -                 | (409,651)           | (409,651)         | (202,206)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                   |                     |                   |                  |
| Interfund transfers   | 11,513            | (11,513)            | -                 | -                |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | <b>32,177</b>     | <b>274,104</b>      | <b>306,281</b>    | <b>(185,456)</b> |
| <b>CASH AT BEGINNING OF YEAR</b>  | <b>55,523</b>     | <b>11,484</b>       | <b>67,007</b>     | <b>252,463</b>   |
| <b>CASH AT END OF YEAR</b>  | <b>\$ 87,700</b>  | <b>\$ 285,588</b>   | <b>\$ 373,288</b> | <b>\$ 67,007</b> |
| <b>SUPPLEMENTAL DISCLOSURE:</b>   |                   |                     |                   |                  |
| Income taxes paid   | \$ 919            | \$ -                | \$ 919            | \$ 790           |

See accompanying notes and independent accountant's review report.

**PARK LAND OF MONTEREY, INC**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 1—NATURE OF ORGANIZATION

Parkland of Monterey Inc. (Association) was incorporated on September 8, 1966, in the State of California. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 60 residential units located in Monterey, California.

NOTE 2—DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 16, 2020, the date that the financial statements were available to be issued.

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting.

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 the general operations of the Association.
- Replacement Fund - This fund is used to accumulate financial resources designed for future major repairs and replacements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts and money market funds. The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents. As of August 31, 2019 and 2018, cash and cash equivalents exceeded federal insured limits by \$35,585 and zero, respectively.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not reflected in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The costs of personal property purchased by the Association are consistently charged to expense, since the Association does not deem such amounts to be sufficiently material to warrant capitalization and depreciation.

**PARK LAND OF MONTEREY, INC**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Certificates of Deposit

The Association held certificates of deposits as of August 31, 2018 in one financial institute that in turn invests in CDAR instruments. Therefore, the certificates of deposit do not exceed federally insured limits. There were no certificates of deposit as of August 31, 2019.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's governing documents provide for various collection remedies for delinquent assessments including the filing of liens on the unit owners. The Association considers all assessments receivable at August 31, 2019 and 2018 to be fully collectible, therefore no allowance for uncollectible assessments has been recorded. As of August 31, 2019 and 2018, \$775 and \$1,336 was over ninety days past due. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Income Taxes

Homeowners' associations may elect to be taxed as either homeowner's associations or as regular corporations. The Association elected to be taxed as a regular corporation for the year ended August 31, 2019 and 2018. Under that election, the Association generally is taxed only on nonexempt function income, such as interest earnings, at regular federal and state corporate tax rates. Exempt function income may be excluded from taxation if certain elections are made.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2017 through 2019 remain open to examination by the Internal Revenue Service and 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.

Estimates

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



**PARK LAND OF MONTEREY, INC**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2019 and 2018

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Comparative Data

The amounts shown for the year ended August 31, 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019 and present comparative information in total, but not by fund. Such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2018, from which the comparative information was derived.

NOTE 4—FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

Cash and cash equivalents:

- The carrying amount reported on the balance sheets approximates fair value because of the short maturity of those instruments.

Certificates of deposit:

- The carrying amount reported on the balance sheets approximates fair value as the initial investment plus any accrued interest is reported as of the balance sheet date.

NOTE 5—FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$279,379 and \$514,416 at August 31, 2019 and 2018 respectively, are held in separate accounts and are generally not available for operating purposes.

The funding program is based on a study performed by an outside consultant in July 2019. This study estimated the remaining useful lives and replacement costs of the common property components. The Association is funding the major repairs and replacements over the estimated useful lives of the components based on the study's estimates of future replacement costs, considering amounts previously accumulated in the replacement fund, an inflation factor of 3.0% and an interest rate of 1.0%. Actual expenditures, however, 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 future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 6—LAND LEASE

At the present time, the Association leases a strip of land from the City of Monterey that is used for member parking on a month to month continuing basis.

NOTE 7—SPECIAL ASSESSMENTS

During the year ended August 31, 2015, members of the Association approved a special assessment in the amount of \$42,750 to fund pest eradication in the development. All amounts were collected as of August 31, 2015. No special assessments have been approved since that date.

**PARK LAND OF MONTEREY, INC.**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
**SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
For the Year Ended August 31, 2019

|  | <u>Budget</u>  | <u>Actual</u>    | Variance<br>Favorable<br>(Unfavorable) |
|--|----------------|------------------|--|
| <b>REVENUE</b>                               |                |                  |  |
| Member assessments                           | \$ 205,200     | \$ 205,200       | \$ -                                   |
| Interest income                              | -              | 214              | 214                                    |
| Late charges/chargeback                      | -              | 608              | 608                                    |
| Other income                                 | -              | 1,520            | 1,520                                  |
| Total revenue                                | <u>205,200</u> | <u>207,542</u>   | <u>2,342</u>                           |
| <b>EXPENSES</b>                              |                |                  |  |
| Accounting                                   | 2,500          | 2,575            | (75)                                   |
| Disposal service                             | 6,400          | 6,722            | (322)                                  |
| Electricity & gas                            | 10,000         | 8,086            | 1,914                                  |
| Fire extinguisher maintenance                | 1,000          | 1,130            | (130)                                  |
| Gate expense                                 | 1,500          | 1,898            | (398)                                  |
| Insurance                                    | 43,750         | 37,680           | 6,070                                  |
| Landscaping                                  | 24,600         | 24,675           | (75)                                   |
| Landscaping Supplies                         | 5,000          | 5,145            | (145)                                  |
| Landscaping tree service                     | -              | 50               | (50)                                   |
| Legal  | -              | 1,879            | (1,879)                                |
| Licenses/Permits                             | 650            | 630              | 20                                     |
| Lighting                                     | 1,500          | 1,158            | 342                                    |
| Management                                   | 21,600         | 21,600           | -                                      |
| Miscellaneous                                | 2,950          | 3,599            | (649)                                  |
| Office Supplies/postage                      | 1,750          | -                | 1,750                                  |
| Pest control                                 | 6,000          | 3,400            | 2,600                                  |
| Pool maintenance & supplies                  | 5,200          | 4,728            | 472                                    |
| Rental-parking                               | 18,300         | 17,760           | 540                                    |
| Repairs & maintenance                        | 10,000         | 3,684            | 6,316                                  |
| Roof maintenance                             | -              | -                | -                                      |
| Sewer  | 2,500          | 2,367            | 133                                    |
| Taxes- Federal/State                         | 460            | 919              | (459)                                  |
| Taxes- Property                              | 100            | 1,565            | (1,465)                                |
| Water  | 26,000         | 26,079           | (79)                                   |
| Operating Contingency                        | 13,440         | -                | 13,440                                 |
| Total expenses                               | <u>205,200</u> | <u>177,329</u>   | <u>27,871</u>                          |
| Excess of operating<br>revenue over expenses | <u>\$ -</u>    | <u>\$ 30,213</u> | <u>\$ 30,213</u>                       |

**PARK LAND OF MONTEREY, INC.**  
**D.B.A. DEL MONTE BEACH TOWNHOUSES**  
 REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND  
 REPLACEMENTS  
 August 31, 2019 and 2018

Association Reserves Group reserve study update with-site-visit in July 2019 to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs listed below were compiled from the study and are based on the estimated costs to repair or replace the common property components assuming an inflation factor of 3.0% and an interest rate of 1.0% at the date of the study. Estimated current replacement costs have not been revised since and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

| <u>Component</u>         | <u>Estimated<br/>Remaining<br/>Useful<br/>Lives/(Years)</u> | <u>Estimated<br/>Avg. Current<br/>Replacement<br/>Costs</u> | <u>Replacement<br/>Fund Balance<br/>as of<br/>8/31/2019</u> | <u>Replacement<br/>Fund Balance<br/>as of<br/>8/31/2018</u> |
|--------------------------|---|---|---|---|
| Asphalt                  | 1 to 26   | \$ 224,000  | \$ -  | \$ -  |
| Concrete                 | 1 to 6  | 11,500  | -   | -   |
| Decks/railings/stairs    | 4 to 20   | 15,400  | -   | -   |
| Fences and gates         | 6 to 23   | 129,150   | -   | -   |
| Inspections              | 0 to 1  | 2,000   | -   | -   |
| Irrigation/landscaping   | 0 to 12   | 44,200  | -   | -   |
| Lighting, exterior       | 11  | 30,550  | -   | -   |
| Mailbox/intercom         | 5 to 12   | 7,210   | -   | -   |
| Painting                 | 0 to 4  | 203,000   | -   | -   |
| Pool equipment           | 4 to 7  | 28,400  | -   | -   |
| Pool furnishings         | 4 to 7  | 7,000   | -   | -   |
| Pool resurfacing/deck    | 5   | 55,300  | -   | -   |
| Roofing/chimneys         | 1 to 36   | 534,700   | -   | -   |
| Security/generator       | 12  | 3,200   | -   | -   |
| Wood fascia/shed/signage | 1 to 28   | 51,350  | -   | -   |
| <b>Total</b>             |   | <u>\$ 1,346,960</u>   | <u>\$ 279,379</u>   | <u>\$ 514,416</u>   |

See independent accountant's review report