



Date: **August 2025**

To: All Owners  
**Edgewood Homeowners Association**

From: The Management Trust  
RE: Annual Financial Statement

Attached is the Financial Statement for your association for the year ending **May 31, 2025** as prepared by the association's CPA.

These documents are being provided to all owners of the association consistent with Civil Code.

# **EDGEWOOD HOMEOWNERS ASSOCIATION**

INDEPENDENT ACCOUNTANT'S REVIEW REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

YEAR ENDED MAY 31, 2025

# Edgewood Homeowners Association

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of  
**Edgewood Homeowners Association**  
Citrus Heights, California

We have reviewed the accompanying financial statements of **Edgewood Homeowners Association** (the Association) which comprise the balance sheet as of May 31, 2025 and the related statement of revenues, expenses and changes in fund balances, and the statement of 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 the 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 **Edgewood 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.

### Future Major Repairs and Replacements

As further discussed in note 4 to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. 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 or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.



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**Edgewood Homeowners Association**  
Citrus Heights, California

**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(s) 12 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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 and 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 such information.

*Lara Accountancy Group, Inc.*

Redwood City, CA  
July 20, 2025

# Edgewood Homeowners Association

Balance Sheet  
as of May 31, 2025

			2025		
			Operations Fund	Replacement Fund	Total Funds
	Note				
<b>Assets</b>					
Cash and cash equivalents	2.3	\$	136,734	\$ 278,135	\$ 414,869
Prepaid insurance			9,789	-	9,789
Member receivables, less allowance for doubtful accounts	2.5		595	-	595
Due from operations fund			-	119,490	119,490
Due to replacement fund			(119,490)	-	(119,490)
<b>Total Assets</b>		<b>\$</b>	<b>27,628</b>	<b>397,625</b>	<b>425,253</b>
<b>Liabilities</b>					
Contract liabilities (deferred revenue)	2.11	\$	-	\$ 384,669	\$ 384,669
Accounts payable			24,697	12,956	37,653
Assessments received in advance			29,971	-	29,971
Deposits			500	-	500
Accrued liabilities			190	-	190
<b>Total Liabilities</b>			<b>55,358</b>	<b>397,625</b>	<b>452,983</b>
<b>Fund Balance (Deficit)</b>			<b>(27,730)</b>	<b>-</b>	<b>(27,730)</b>
<b>Total Liabilities and Fund Balance</b>		<b>\$</b>	<b>27,628</b>	<b>397,625</b>	<b>425,253</b>

See independent accountant's review report and accompanying notes.

# Edgewood Homeowners Association

## Statement of Revenues, Expenses and Changes in Fund Balances for the Year Ended May 31, 2025

		2025		
		Operations	Replacement	Total
	Note	Fund	Fund	Funds
<b>Revenues</b>				
Member assessments	2.7	\$ 270,642	\$ 68,389	\$ 339,031
Late charges and other income		6,989	-	6,989
Parking space income		6,605	-	6,605
Interest income	2.8	-	933	933
<b>Total Revenues</b>		<b>284,236</b>	<b>69,322</b>	<b>353,558</b>
<b>Expenses</b>				
<b><u>Administration</u></b>				
Insurance		67,205	-	67,205
Management		24,747	-	24,747
Office, printing and postage		8,419	-	8,419
Legal, accounting and consulting		4,727	-	4,727
Reserve Study		400	-	400
<b>Total administration</b>		<b>105,498</b>	<b>-</b>	<b>105,498</b>
<b><u>Common Area Maintenance</u></b>				
Landscape maintenance		100,610	-	100,610
Roof maintenance		12,485	-	12,485
Plumbing maintenance and repair		11,569	-	11,569
Other maintenance and repairs		9,704	-	9,704
Pool and spa maintenance and repair		6,435	-	6,435
Pest control		2,650	-	2,650
<b>Total Common Area Maintenance</b>		<b>143,453</b>	<b>-</b>	<b>143,453</b>
<b><u>Utilities</u></b>				
Water and sewer		50,299	-	50,299
Gas and electricity		10,750	-	10,750
Garbage collection		666	-	666
Telephone		541	-	541
<b>Total Utilities</b>		<b>62,256</b>	<b>-</b>	<b>62,256</b>

See independent accountant's review report and accompanying notes.

# Edgewood Homeowners Association

## Statement of Revenues, Expenses and Changes in Fund Balances for the Year Ended May 31, 2025

	2025		
	Operations Fund	Replacement Fund	Total Funds
<u>Note</u>			
<b><u>Major Repairs and Replacements</u></b>			
Landscaping	-	30,093	30,093
Roofs	-	20,358	20,358
Pool	-	8,000	8,000
Plumbing system	-	7,887	7,887
Walkways	-	2,984	2,984
<b><u>Total Major Repairs and Replacements</u></b>	<b><u>-</u></b>	<b><u>69,322</u></b>	<b><u>69,322</u></b>
<b>Total Expenses</b>	<b><u>311,207</u></b>	<b><u>69,322</u></b>	<b><u>380,529</u></b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	(26,971)	-	(26,971)
<b>Fund Balance (Deficit), Beginning of Year</b>	<u>(759)</u>	<u>-</u>	<u>(759)</u>
<b>Fund Balance (Deficit), End of Year</b>	<u><u>\$ (27,730)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (27,730)</u></u>

See independent accountant's review report and accompanying notes.



# Edgewood Homeowners Association

## Statement of Cash Flows for the Year Ended May 31, 2025

	<u>2025</u>		
	<u>Operations</u>	<u>Replacement</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b><u>Operating Activities</u></b>			
Excess (Deficiency) of Revenues Over Expenses	\$ (26,971)	\$ -	\$ (26,971)
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:			
Decrease (Increase) in Assets:			
Member receivables, less allowance for doubtful accounts	5,356	-	5,356
Prepaid insurance	(9,789)	-	(9,789)
Due from operations fund	-	(89,995)	(89,995)
Due from replacement fund	89,995	-	89,995
Increase (Decrease) in Liabilities			
Accrued liabilities	190	-	190
Accounts payable	7,381	12,656	20,037
Assessments received in advance	8,519	-	8,519
Contract liabilities (deferred revenue)	<u>-</u>	<u>172,889</u>	<u>172,889</u>
Total Adjustments	<u>101,652</u>	<u>95,550</u>	<u>197,202</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>74,681</u>	<u>95,550</u>	<u>170,231</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>74,681</u>	<u>95,550</u>	<u>170,231</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>62,053</u>	<u>182,585</u>	<u>244,638</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 136,734</u></u>	<u><u>\$ 278,135</u></u>	<u><u>\$ 414,869</u></u>

See independent accountant's review report and accompanying notes.

# Edgewood Homeowners Association

Notes to Financial Statements  
for the Year Ended May 31, 2025

## 1. Nature of Organization

**Edgewood Homeowners Association** (the Association) is a common interest development located in Citrus Heights, California which consists of 108 residential dwellings and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation on June 07, 1973 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

## 2. Summary of Significant Accounting Policies

**2.1 Method of Accounting.** The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

**2.2 Fund Accounting.** The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose.

**Operations Fund** - This fund is used to account for the financial resources available for the general day-to-day operations of the Association.

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

**2.3 Cash and Cash Equivalents.** For purposes of the balance sheet and the statement of cash flows, the Association considers cash on hand, demand deposits with financial institutions, money market accounts and all short-term investments with original maturities of three months or less to be included in cash and cash equivalents.

See independent accountant's review report.

# Edgewood Homeowners Association

## Notes to Financial Statements for the Year Ended May 31, 2025

**2.4 Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

**2.5 Member Receivables** at the balance sheet date represent aggregate amounts due from unit owners which may include regular assessments, late fees, fines, reimbursement assessments and other charges. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

The Association has established an estimated allowance for doubtful accounts based upon member receivables aged 90 days or more at the balance sheet date. Accordingly, the following summarizes net member receivables as of May 31, 2025:

	<u>05-31-25</u>
Gross Member Receivables	\$ 1,840
<i>Less Allowance for Doubtful Accounts</i>	<u>(1,245)</u>
Net Member Receivables	<u>\$ 595</u>

Bad debt expense of \$0 was recorded for the year ended May 31, 2025, which included a provision for bad debts of \$0.

**2.6 Real and Personal Common Property** acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

**2.7 Member Assessments.** Association members are subject to annual assessments, payable in equal monthly installments, to provide funds for the Association's operating expenses and major repairs and replacements. 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 is 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. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board of Directors under certain

See independent accountant's review report.

# Edgewood Homeowners Association

## Notes to Financial Statements for the Year Ended May 31, 2025

### **Member assessments (continued)**

circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Monthly assessments for the year ended May 31, 2025 were as follows:

	Monthly		
	Operations Fund	Replacement Fund	Total
Member assessments	\$ 208.83	\$ 186.17	\$ 395.00

**2.8 Interest Earned** on operating and replacement funds, net of related income taxes, is retained in said respective funds.

**2.9 Income Taxes.** The Association elects annually to be taxed as either a regular corporation under Internal Revenue Code (IRC) § 277 or as a homeowners association under IRC § 528 in its tax filing with the Internal Revenue Service (IRS). Form 1120 is used when filing as a regular corporation and Form 1120-H is used when filing as a homeowners association.

For the year ended May 31, 2025 the Association elected to file Form 1120 and be taxed as a regular corporation. By doing so, the Association is taxed at a flat 21% rate on net nonmembership income (generally investment interest income), less directly related expenses.

The Association is taxed by the California Franchise Tax Board (FTB) at a rate of 8.84% on its net nonmembership income.

The Association has qualified as a tax-exempt entity with the FTB under California Revenue and Taxation Code § 23701. To maintain tax-exempt status with FTB the Association must, among other things, file an annual informational return known as Form 199.

The Association's income tax returns are subject to examination by various taxing authorities. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

**2.10 Fair Value of Financial Instruments.** The carrying amounts of financial instruments, including cash and cash equivalents, member receivables, and accounts payable, if any, approximate their fair value due to the short term maturities of these instruments.

**2.11 Contract Liabilities (Deferred Revenue).** The Association's policies related to assessment revenues, contract liabilities and the replacement fund adhere to guidance issued by the Financial Accounting Standards Board (FASB), Topic 606, *Revenue from Contracts with Customers*, in the

See independent accountant's review report.

# Edgewood Homeowners Association

## Notes to Financial Statements for the Year Ended May 31, 2025

### **Contract liabilities (continued)**

Accounting Standards Codification (ASC). Accordingly, the Association recognizes replacement fund revenue from members as the related performance obligations are satisfied (i.e. matching replacement fund revenues with replacement fund expenses, on an annual basis). Performance obligations in contracts with customers (members) are typically satisfied as services are rendered or upon completion of the service. A contract liability (deferred revenue) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

The balances of contract liabilities (deferred revenue) as of May 31, 2025 and 2024 are \$384,669 and \$211,780, respectively. The effect of the change in contract liabilities on replacement fund revenues is illustrated below:

<b><u>Revenue Reconciliation</u></b>	Operations Fund	Replacement Fund	Total Funds
Assessment revenue, per budget	\$ 270,642	\$ 241,278	\$ 511,920
Adjustment to assessments to match expenses	\$ -	\$ (172,889)	\$ (172,889)
Assessment revenue, per financial statements	<u>\$ 270,642</u>	<u>\$ 68,389</u>	<u>\$ 339,031</u>

### **3. Concentrations of Credit Risk**

The Association maintains its deposits with what management believes to be high credit quality financial institutions and attempts to limit the amount of credit exposure to any one particular institution. The balances in those accounts may occasionally exceed the current Federal Deposit Insurance Corporation (FDIC) insurance protection of up to \$250,000 per depositor per institution. Amounts held with broker-dealers are not usually insured by the FDIC, but rather they are privately insured by the Securities Investor Protection Corporation (SIPC).

### **4. Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$384,669, and are presented on the accompanying balance sheet as a contract liability (deferred revenue) at May 31, 2025, are required to be held in separate accounts and are generally not available for operating purposes.

In March 2025 a component study update, with no site-visit was completed by Browning Reserve Group to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an

See independent accountant's review report.

# Edgewood Homeowners Association

## Notes to Financial Statements for the Year Ended May 31, 2025

### **Future major repairs and replacements (continued)**

annual component cost inflation rate of 2.50% and an interest rate of 2.50% earned on cash and investments on amounts funded for future major repairs and replacements. The table on page(s) 12 on future major repairs and replacements is based on the aforementioned study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the Board has approved an annual contribution of \$311,105 in the 2026 operating budget. Additional information regarding the Association's funding model may be found in the annually-prepared pro forma operating budget and/or the assessment and reserve funding disclosure summary.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacement 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 the constraints in its governing documents and California civil code, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

## **5. Commitments**

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

## **6. Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 20, 2025, the date that the financial statements were available to be issued.

See independent accountant's review report.

# Edgewood Homeowners Association

## Supplementary Information on Future Major Repairs and Replacements May 31, 2025 (Compiled Without Audit or Review)

In March 2025 a component study update, with no site-visit was completed by Browning Reserve Group to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an annual component cost inflation rate of 2.50% and an interest rate of 2.50% earned on cash and investments on amounts funded for future major repairs and replacements.

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

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Paving	1-7	\$ 455,837
Concrete	1-13	\$ 90,951
Painting: Exterior	3-6	\$ 298,793
Structural Repairs	3-38	\$ 974,065
Roofing	0-22	\$ 1,241,826
Rehab	4-5	\$ 13,910
Pool	0-8	\$ 50,154
Tennis Courts	3-8	\$ 29,479
Landscaping	1-16	\$ 25,049
Fencing	1-8	\$ 46,840
Lighting	5	\$ 8,541
Signage	4	\$ 6,988
Mechanical Equipment	1	\$ 10,315
Furnishings	6	\$ 8,347
Safety/Access	5	\$ 9,777
Flooring	1	\$ 8,033
Appliances	8-10	\$ 3,145
Reserve Study	1	\$ 1,747
Undesignated	0-1	\$ 11,001
	<b>TOTAL</b>	<b>\$ 3,294,798</b>
Estimated cash reserves necessary to repair, replace, restore, or maintain the major components (*) as of May 31, 2025		\$ 1,745,000
Replacement fund cash and investments at May 31, 2025		\$ 278,135
Contract liabilities balance at May 31, 2025		\$ 384,669
2026 Budgeted reserve contributions		\$ 311,105

\*Figure obtained from the Association's most recent component study update, with no site-visit prepared by Browning Reserve Group. Detailed information can be found in that report, dated March 2025.

See independent accountant's review report.