

Riviera Gardens Homeowners Association



*The Coachella Valley's Community
Management Company*

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April 22, 2020

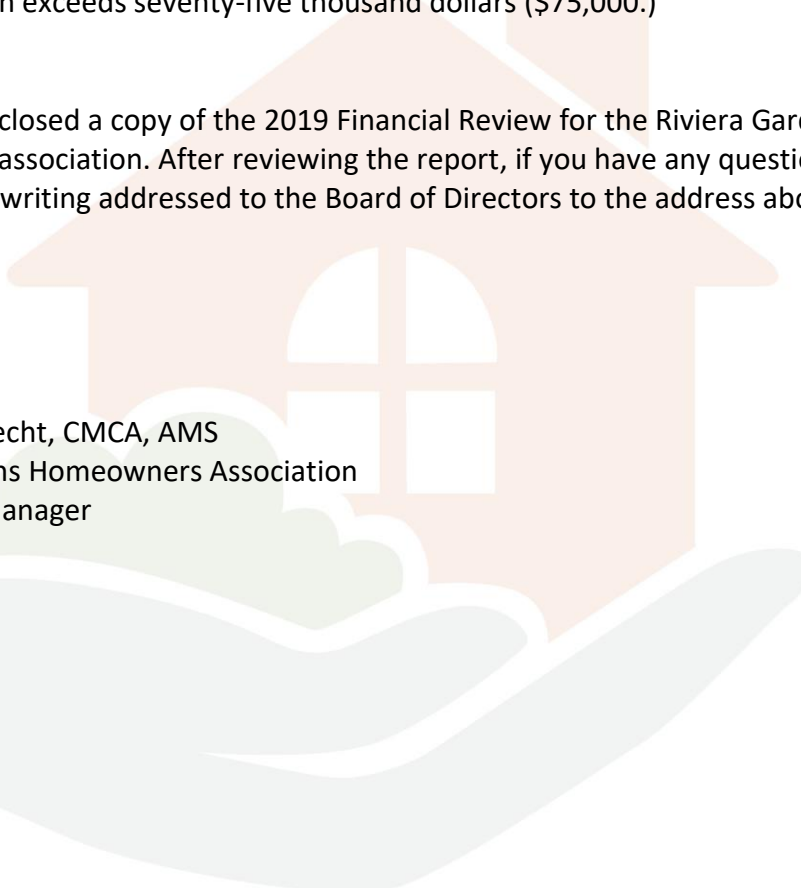
Dear Homeowner(s):

Your Board of Directors is complying with The Davis-Stirling Common Interest Development Act. The Act states that a review of the Association's financial statements be prepared under generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000.)

Please find enclosed a copy of the 2019 Financial Review for the Riviera Gardens Homeowners association. After reviewing the report, if you have any questions, please place them in writing addressed to the Board of Directors to the address above.

Sincerely,

David Schuknecht, CMCA, AMS
Riviera Gardens Homeowners Association
Community Manager





Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

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Leonard C. Sonnenberg, CPA

**Riviera Gardens
Homeowners Association
Reviewed Financial Statements
Year Ended December 31, 2019**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Members
Riviera Gardens Homeowners Association

We have reviewed the accompanying financial statements of Riviera Gardens Homeowners Association, which comprise the balance sheet as of December 31, 2019, the related statement of revenues, expenses, and changes in fund balances, and 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 the Association's financial data and making inquiries of the Association's management and/or Board of Directors. 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

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles.

Prior Year Financial Statements

The prior year comparative information has been derived from the December 31, 2018 financial statements, which were audited by other auditors and they expressed an unmodified opinion on them in their report dated March 14, 2019, but they have not performed any auditing procedures since that date. The information is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles 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, 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 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; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.



March 31, 2020

Sonnenberg & Company, CPAs

Riviera Gardens Homeowners Association
Balance Sheet
December 31, 2019
(With Comparative Totals for 2018)

		Review 2019		Audit 2018
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS:				
Cash in Checking	\$ 39,204	\$ 524,273	\$ 563,477	\$ 493,761
Investment in CDs		600,000	600,000	600,000
Assessments Receivable	46,291		46,291	24,683
Allowance for Uncollectible	(8,351)		(8,351)	(15,349)
TOTAL ASSETS	\$ 77,144	\$ 1,124,273	\$ 1,201,417	\$ 1,103,095
LIABILITIES:				
Accounts Payable	\$ 9,693	\$	\$ 9,693	\$ 13,452
Prepaid Assessments	39,385		39,385	26,643
Income Taxes Payable	2,810		2,810	2,583
TOTAL LIABILITIES	51,888	-	51,888	42,678
FUND BALANCES:	25,256	1,124,273	1,149,529	1,060,417
TOTAL LIABILITIES AND FUND BALANCES	\$ 77,144	\$ 1,124,273	\$ 1,201,417	\$ 1,103,095

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

Riviera Gardens Homeowners Association
Statement of Revenues and Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2019
(With Comparative Totals for The Year Ended December 31, 2018)

	Review 2019			Audit 2018
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES:				
Regular Assessments	\$ 613,439	\$ 156,468	\$ 769,907	\$ 769,684
Other Income	34,365		34,365	20,754
Interest		11,753	11,753	9,299
TOTAL REVENUES	<u>647,804</u>	<u>168,221</u>	<u>816,025</u>	<u>799,737</u>
EXPENSES:				
Administrative-				
Accountant Review/Tax Preparation	1,825		1,825	1,825
Bad Debts	4,884		4,884	3,254
Insurance	47,248		47,248	34,269
Legal	6,879		6,879	21,422
Management	47,400		47,400	43,800
Other Administration	21,552		21,552	17,479
Replacement Study	650		650	1,800
Taxes - Income	3,793		3,793	2,583
Total Administrative	<u>134,231</u>	<u>-</u>	<u>134,231</u>	<u>126,432</u>
Maintenance-				
Landscape	132,486		132,486	145,252
Landscape Extras	30,430		30,430	35,639
Maintenance Contract & Payroll Taxes	50,351		50,351	49,539
Pest Control	7,561		7,561	5,040
Pool & Spa	22,054		22,054	20,453
Repairs & Maintenance	44,545	118,795	163,340	100,716
Security	1,000		1,000	8,109
Total Maintenance	<u>288,427</u>	<u>118,795</u>	<u>407,222</u>	<u>364,748</u>
Utilities-				
Gas & Electricity	67,680		67,680	65,553
Telephone	6,159		6,159	5,877
Trash Removal	29,123		29,123	30,957
Water & Sewer	82,498		82,498	65,740
Total Utilities	<u>185,460</u>	<u>-</u>	<u>185,460</u>	<u>168,127</u>
TOTAL EXPENSES	<u>608,118</u>	<u>118,795</u>	<u>726,913</u>	<u>659,307</u>
Excess Revenue / (Expense)	\$ 39,686	\$ 49,426	\$ 89,112	\$ 140,430
Beginning Fund Balances	7,960	1,052,457	1,060,417	919,987
Interfund Transfers	(22,390)	22,390	-	-
Ending Fund Balances	<u>\$ 25,256</u>	<u>\$ 1,124,273</u>	<u>\$ 1,149,529</u>	<u>\$ 1,060,417</u>

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

Riviera Gardens Homeowners Association
Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for The Year Ended December 31, 2018)

	Review 2019			Audit 2018
Cash Flows From -	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue / (Expense)	\$ 39,686	\$ 49,426	\$ 89,112	\$ 140,430
(Increase) / Decrease in:				
Assessments Receivable	(21,608)		(21,608)	(8,627)
Allowance for Uncollectible	(6,998)		(6,998)	3,254
Increase / (Decrease) in:				
Accounts Payable	(1,917)	(1,842)	(3,759)	(30,970)
Prepaid Assessments	12,742		12,742	(15,315)
Payroll Taxes Payable			-	(288)
Income Taxes Payable	227		227	1,712
Net Operating Activities	22,132	47,584	69,716	90,196
Financing Activities:				
Net Interfund Transfers	(22,390)	22,390	-	-
Net Financing Activities	(22,390)	22,390	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents	(258)	69,974	69,716	90,196
Cash and Cash Equivalents at:				
Beginning of Year	39,462	454,299	493,761	403,565
End of Year	\$ 39,204	\$ 524,273	\$ 563,477	\$ 493,761
Supplemental Disclosure:				
Income taxes paid	\$ 3,566	\$ -	\$ 3,566	\$ 144

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

Riviera Gardens Homeowners Association
Notes to Financial Statements
Year Ended December 31, 2019

Note 1. Organization:

Riviera Gardens Homeowners Association was incorporated on February 26, 1977 as a California mutual benefit corporation. The Association is a condominium development whose primary purpose is to act as a "management body" for the preservation, maintenance and architectural control of the common area within the project located in Palm Springs, California which includes 221 residential units.

Note 2. Accounting Policies:

The accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred. The Association records operating and replacement fund assessments as revenue when due from members, which the Association believes is in compliance with FASB ASC 606.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Real property acquired from the developer and replacements and improvements to common property are not capitalized or depreciated because the common areas are owned, in effect, by the individual unit owners as tenants in common and generally cannot be disposed of by the Association.

In accordance with generally accepted accounting principles regarding "Statement of Cash Flows," cash equivalents consist primarily of certificates of deposits and securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments.

The Association's investments are classified as "held-to-maturity," therefore the investments are carried on the financial statements at amortized cost, and any gain or loss will be recorded at time of sale.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The Association has evaluated subsequent events through March 31, 2020, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

The amounts shown for the previous year are included to provide a basis for comparison and present summarized totals only. Accordingly, the amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles. Some items may have been reclassified for purposes of overall comparability and consistency of presentation.

Riviera Gardens Homeowners Association
Notes to Financial Statements
Year Ended December 31, 2019

Note 3. Income Tax Status and Policies:

The Association files its tax returns as an exempt homeowners association under IRC Sec. 528, and State Rev. & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. However, no income taxes were incurred for the current year. Generally, the Association treats income tax expenses as an operating expense. The Association incurred taxes of \$3,793 for the year ended December 31, 2019. The Association's income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the California Franchise Tax Board, generally for four years after they are filed.

Note 4. Concentrations of Credit Risk:

The Association maintains cash balance at a financial institution. Cash balance in checking account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019, the uninsured cash balance is \$114,557.

Note 5. Investments - Certificates of Deposit:

Three certificates of deposit with cost of \$600,000 at December 31, 2019 are held at a financial institution. The certificates of deposit bear interest rate 1.9% and maturity date February 12, 2020.

Note 6. Members Assessments and Receivables:

The annual budget and members' assessments are determined by the Board of Directors or may be approved by the members. The Association retains any excess funds for expenses in future years. Regular assessments to members vary from \$198.83 to \$394.30 per unit per month for the year ended December 31, 2019. The Association's policy is to place liens on the properties of owners whose assessments are in arrears, and pursue other legal remedies if necessary to collect delinquent assessments. An allowance for uncollectible accounts has been recorded.

Note 7. 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 \$1,124,273 at December 31, 2019, are held in separate interest bearing accounts and are generally not available for operating purposes. The Association's policy is to fund major repairs and replacements from replacement funds if available. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacement of common property components. Actual expenditures 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 funds are not adequate, the Association has the right to increase regular assessments, pass special assessments, or delay replacement until funds are available.

Riviera Gardens Homeowners Association
Notes to Financial Statements
Year Ended December 31, 2019

Note 7. Future Major Repairs and Replacements (continued):

A replacement funding program is required by California law to be prepared and distributed to the members annually as part of the annual budget. As shown in the Supplemental Information, a study to determine the adequacy of the current funding program for repair and replacement of Association common areas has been conducted. Included in the study are major repair and replacement components that the Association is obligated to maintain, that have useful lives of more than one year and remaining useful lives of less than thirty years. Excluded from the study are certain major structural components such as buildings, concrete, and underground utility systems. It is assumed that the excluded major structural items have indefinite lives and the appropriate funding method for their replacement will be decided if and when those items need to be replaced. The study indicates a substantial funding deficit. Special assessments may be required to meet expenditures.

The Association's budgeted replacement funding for the year ended December 31, 2019 was \$156,468. The Association transferred \$178,858 (an additional \$22,390 of the budgeted amount) to the replacement savings account. Replacement fund disbursements totaling \$118,795 were made during the year for landscaping, iron work, lighting, and other major repairs. The net interfund transfer amount is \$22,390 from the operating fund to the replacement fund.

Note 8. Related Party:

During the year, the Association paid \$1,095 for collection services from an entity owned by one of the property management company's principle.

Riviera Gardens Homeowners Association
 Required Supplementary Information
 Future Major Repairs and Replacements
 December 31, 2019

(Compiled)

Calif. CC 5550 requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary.

A study of the Association's replacement funding requirements, based upon a physical inspection by an independent consultant, was prepared for December 31, 2018.

An accounting update was prepared on November 19, 2019 and projected to December 31, 2019.

The study provides estimates of remaining useful lives and current replacement costs of the components of the common property. The following table is based on the reserve study and presents the significant information about the components of the common property.

Components	Estimated Remaining Useful Life/Yrs	Estimated Current Replacement Costs	Estimated Reserve Allocation	Fund Balance on 12/31/19
Access System	1-12	\$ 82,750	\$ 3,349	\$ 22,219
Asphalt & Concrete	0-4	406,578	22,681	150,473
Buildings, Balconies/Decks	1-2	36,472	2,198	14,580
Buildings, Doors	2-2	4,510	251	1,667
Buildings, Plumbing	0-0	30,000	5,140	34,102
Buildings, Roofs	0-26	1,183,143	71,831	476,539
Electrical/Lights	3-26	261,865	5,376	35,669
Fence/Gates/Rail	4-27	261,800	11,429	75,822
Irrigation	0-24	162,600	9,148	60,693
Landscape	0-0	15,000	2,384	15,819
Mailboxes	28-28	53,857	333	2,212
Paint	0-4	380,835	25,293	167,796
Pool Furniture	0-18	16,562	1,045	6,930
Pools & Spas	0-9	189,563	8,425	55,893
Signage	0-0	5,000	681	4,520
Site Amenities	0-14	3,400	164	1,066
Contingency (5%)	N/A	0	0	0
Totals		\$ <u>3,093,935</u>	\$ <u>169,728</u>	\$ <u>1,126,000</u>
Per Cent Funded				<u>36%</u>
As of December 31, 2019				
The annual budgeted allocation to replacements			\$ <u>156,468</u>	
The cash and investment balance in replacement funds				\$ <u>1,124,273</u>

See Independent Accountant's Review Report