

# Riviera Gardens Homeowners Association



*The Coachella Valley's Community  
Management Company*

760-325-9500 OFFICE  
760-325-9300 FAX  
68950 Adelina Road  
Cathedral City, CA 92234

[www.PPMinternet.com](http://www.PPMinternet.com)

April 6, 2021

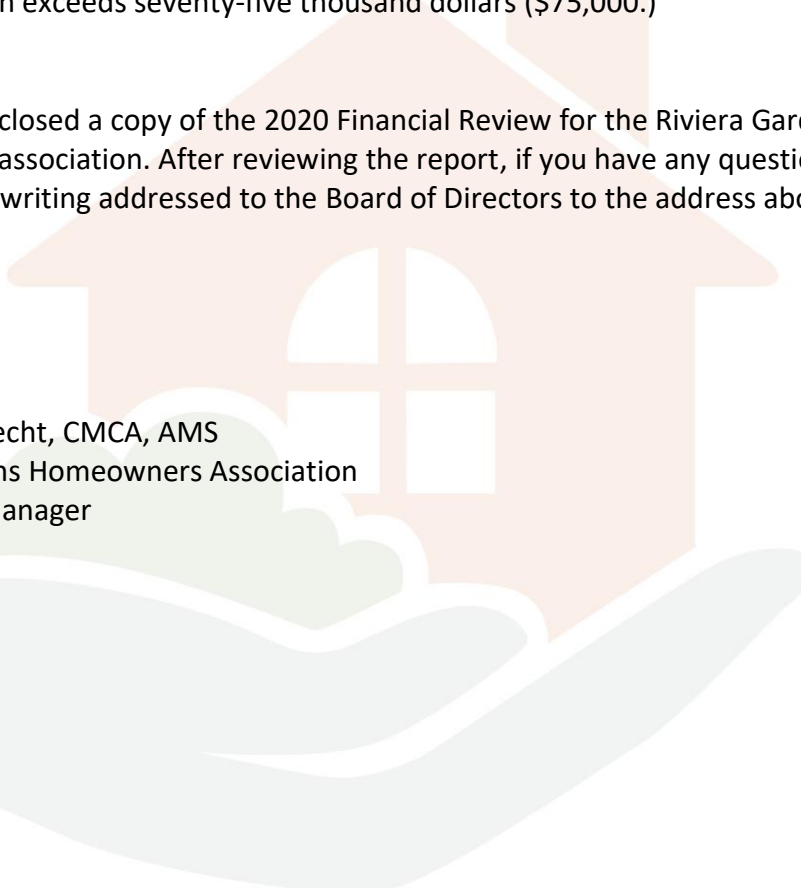
Dear Homeowner(s):

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 2020 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

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

**Riviera Gardens  
Homeowners Association  
Reviewed Financial Statements  
Year Ended December 31, 2020**

**Contents**

	<b><u>Page No.</u></b>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues and Expenses and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-8
REQUIRED SUPPLEMENTARY INFORMATION	
Future Major Repairs and Replacements	9



# Sonnenberg & Company, CPAs

A Professional Corporation

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

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

## 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, 2020, 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.

*Riviera Gardens Homeowners Association  
Independent Accountant's Review Report*

**Prior Year Financial Statements**

The prior year comparative information has been derived from the December 31, 2019 financial statements, which were audited by other auditors and they expressed an unmodified opinion on them in their report dated March 31, 2020, 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, 2021

Sonnenberg & Company, CPAs

**Riviera Gardens Homeowners Association**  
**Balance Sheet**  
**December 31, 2020**  
**(With Comparative Totals for 2019)**

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>ASSETS:</b>				
Cash in Checking	\$ 24,084	\$ 651,318	\$ 675,402	\$ 563,477
Investment in CDs		600,000	600,000	600,000
Assessments Receivable	36,759		36,759	46,291
Allowance for Uncollectible	(15,348)		(15,348)	(8,351)
Prepaid Taxes	3,207		3,207	-
<b>TOTAL ASSETS</b>	<b>\$ 48,702</b>	<b>\$ 1,251,318</b>	<b>\$ 1,300,020</b>	<b>\$ 1,201,417</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 11,154		\$ 11,154	\$ 9,693
Prepaid Assessments	40,974		40,974	39,385
Income Taxes Payable			-	2,810
<b>TOTAL LIABILITIES</b>	<b>52,128</b>	<b>-</b>	<b>52,128</b>	<b>51,888</b>
<b>FUND BALANCES:</b>	<b>(3,426)</b>	<b>1,251,318</b>	<b>1,247,892</b>	<b>1,149,529</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 48,702</b>	<b>\$ 1,251,318</b>	<b>\$ 1,300,020</b>	<b>\$ 1,201,417</b>

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

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES:</b>				
Regular Assessments	\$ 639,678	\$ 184,128	\$ 823,806	\$ 769,907
Other Income	23,557		23,557	34,365
Interest		5,565	5,565	11,753
<b>TOTAL REVENUES</b>	<b>663,235</b>	<b>189,693</b>	<b>852,928</b>	<b>816,025</b>
<b>EXPENSES:</b>				
<b>Administrative-</b>				
Accountant Review/Tax Preparation	1,800		1,800	1,825
Bad Debts	2,373		2,373	4,884
Insurance	47,342		47,342	47,248
Legal	5,062		5,062	6,879
Management	47,400		47,400	47,400
Other Administration	30,869		30,869	21,552
Replacement Study	650		650	650
Taxes - Income	1,553		1,553	3,793
<b>Total Administrative</b>	<b>137,049</b>	<b>-</b>	<b>137,049</b>	<b>134,231</b>
<b>Maintenance-</b>				
Landscape	141,795		141,795	132,486
Landscape Extras	90,691		90,691	30,430
Maintenance Contract & Payroll Taxes	48,029		48,029	50,351
Pest Control	4,172		4,172	7,561
Pool & Spa	19,173		19,173	22,054
Repairs & Maintenance	49,201	62,648	111,849	163,340
Security	3,430		3,430	1,000
<b>Total Maintenance</b>	<b>356,491</b>	<b>62,648</b>	<b>419,139</b>	<b>407,222</b>
<b>Utilities-</b>				
Gas & Electricity	64,491		64,491	67,680
Telephone	7,649		7,649	6,159
Trash Removal	32,990		32,990	29,123
Water & Sewer	93,247		93,247	82,498
<b>Total Utilities</b>	<b>198,377</b>	<b>-</b>	<b>198,377</b>	<b>185,460</b>
<b>TOTAL EXPENSES</b>	<b>691,917</b>	<b>62,648</b>	<b>754,565</b>	<b>726,913</b>
Excess Revenue / (Expense)	\$ (28,682)	\$ 127,045	\$ 98,363	\$ 89,112
Beginning Fund Balances	25,256	1,124,273	1,149,529	1,060,417
<b>Ending Fund Balances</b>	<b>\$ (3,426)</b>	<b>\$ 1,251,318</b>	<b>\$ 1,247,892</b>	<b>\$ 1,149,529</b>

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

Cash Flows From -	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue / (Expense)	\$ (28,682)	\$ 127,045	\$ 98,363	\$ 89,112
(Increase) / Decrease in:				
Assessments Receivable	9,532		9,532	(21,608)
Allowance for Uncollectible	6,997		6,997	(6,998)
Prepaid Taxes	(3,207)		(3,207)	-
Increase / (Decrease) in:				
Accounts Payable	1,461		1,461	(3,759)
Prepaid Assessments	1,589		1,589	12,742
Income Taxes Payable	(2,810)		(2,810)	227
Net Operating Activities	(15,120)	127,045	111,925	69,716
Net Increase / (Decrease) in Cash and Cash Equivalents	(15,120)	127,045	111,925	69,716
Cash and Cash Equivalents at:				
Beginning of Year	39,204	524,273	563,477	493,761
End of Year	\$ 24,084	\$ 651,318	\$ 675,402	\$ 563,477
Supplemental Disclosure:				
Income taxes paid	\$ 7,570	\$ -	\$ 7,570	\$ 3,566

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, 2020

**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, 2021, 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, 2020

**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 \$1,553 for the year ended December 31, 2020. 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, 2020, the uninsured cash balance is \$218,938.

**Note 5. Investments - Certificates of Deposit:**

Three certificates of deposit with cost of \$600,000 at December 31, 2020 are held at a financial institution. The certificates of deposit bear interest rate from 0.1% to 0.25% and maturity date April 23, 2021.

**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 \$212.75 to \$421.90 per unit per month for the year ended December 31, 2020. 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 \$1,251,318 at December 31, 2020, 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, 2020

**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, 2020 was \$181,128. The Association transferred the budgeted amount to the replacement savings account. Replacement fund disbursements totaling \$62,648 were made during the year for landscaping, iron work, lighting, and other major repairs.

**Note 8. Related Party:**

During the year, the Association paid \$1,948 for collection services from an entity owned by one of the property management company's principle.

**Note 9. Risks and Uncertainties:**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Association is located. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on the Association's operations, management, employees, vendors, and owners, will depend on certain developments, which cannot be determined at this time.

**Riviera Gardens Homeowners Association**  
 Required Supplementary Information  
 Future Major Repairs and Replacements  
 December 31, 2020

(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 August 8, 2020 and projected to December 31, 2020.

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 12/31/20
Access System	1-11	\$ 82,750	\$ 3,554	\$ 24,357
Asphalt & Concrete	0-3	406,578	22,816	156,379
Buildings, Balconies/Decks	0-1	36,472	3,716	25,466
Buildings, Doors	1-1	4,510	266	1,826
Buildings, Plumbing	0-0	30,000	4,979	34,124
Buildings, Roofs	0-25	1,183,143	76,212	522,352
Electrical/Lights	2-25	261,865	5,681	38,940
Fence/Gates/Rail	3-26	261,800	11,535	79,060
Irrigation	0-23	162,350	7,387	50,633
Landscape	0-0	15,000	2,312	15,848
Mailboxes	27-27	53,857	424	2,907
Paint	0-3	380,835	32,672	223,934
Pool Furniture	0-17	16,562	1,652	11,324
Pools & Spas	0-9	190,363	10,698	73,320
Signage	9-9	5,360	64	434
Site Amenities	0-13	3,400	160	1,096
Contingency (5%)	N/A	0	0	0
<b>Totals</b>		<b>\$ 3,094,845</b>	<b>\$ 184,128</b>	<b>\$ 1,262,000</b>
<b>Per Cent Funded</b>				<b>41%</b>

As of December 31, 2020

The annual budgeted allocation to replacements	\$ <u>184,128</u>
The cash and investment balance in replacement funds	\$ <u>1,251,318</u>

See Independent Accountant's Review Report