

# **BECK and COMPANY, CPAs, Inc.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Members  
RIVIERA GARDENS HOMEOWNERS ASSOCIATION

We have audited the accompanying financial statements of RIVIERA GARDENS HOMEOWNERS ASSOCIATION which comprise the balance sheets as of December 31, 2022 and the related statement of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### ***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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Association and meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIVIERA GARDENS HOMEOWNERS ASSOCIATION as of December 31, 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in the notes are adequate to meet future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

### ***Report on Summarized Comparative Information***

We have previously audited the Association's December 31, 2021, financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**RIVIERA GARDENS HOMEOWNERS ASSOCIATION  
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on the last page 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**BECK and COMPANY, CPAs, Inc.**

Palm Desert, California

April 4, 2023

**RIVIERA GARDENS HOMEOWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2022  
(With Comparative Totals for 12/31/2021)**

	<b>2022</b>			<b>2021</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>	<b>Total Funds</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 20,444	\$ 860,194	\$ 880,638	\$ 263,654
Certificate of Deposit	-	-	-	600,000
Assessments Receivable	22,481	-	22,481	14,352
Allowance for Doubtful Accounts	(5,183)	-	(5,183)	(3,885)
Prepaid Income Taxes	300	-	300	3,256
Due (to) from other fund	(14,439)	14,439	-	-
<b>TOTAL ASSETS</b>	<b>\$ 23,603</b>	<b>\$ 874,633</b>	<b>\$ 898,236</b>	<b>\$ 877,377</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 22,309	\$ 4,332	\$ 26,641	\$ 9,567
Prepaid Assessments	46,671	-	46,671	35,862
<b>TOTAL LIABILITIES</b>	<b>68,980</b>	<b>4,332</b>	<b>73,312</b>	<b>45,429</b>
<b>FUND BALANCES</b>	<b>(45,377)</b>	<b>870,301</b>	<b>824,924</b>	<b>831,948</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,603</b>	<b>\$ 874,633</b>	<b>\$ 898,236</b>	<b>\$ 877,377</b>

See accompanying notes to financial statements

**RIVIERA GARDENS HOMEOWNERS ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2022**  
**(With Comparative Totals for 12/31/2021)**

	<b>2022</b>			<b>2021</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>	<b>Total Funds</b>
<b>REVENUES:</b>				
Member Assessments	\$ 844,864	\$ 20,128	\$ 864,992	\$ 823,806
Interest Income	-	243	243	640
Other Income	36,401	12,474	48,875	18,992
<b>TOTAL REVENUES</b>	<b>881,265</b>	<b>32,845</b>	<b>914,110</b>	<b>843,438</b>
<b>EXPENSES:</b>				
<b>Utilities</b>				
Electricity	35,595	-	35,595	32,312
Gas	61,585	-	61,585	51,867
Water	108,328	-	108,328	79,668
Waste	40,855	-	40,855	33,898
Telephone	13,064	-	13,064	11,161
<b>Maintenance</b>				
Landscape Contract	158,400	-	158,400	157,045
Landscape Extras	30,854	-	30,854	27,404
Pool Contract	16,610	-	16,610	15,360
Pool Maintenance	6,696	-	6,696	6,533
Buildings & Grounds	49,859	-	49,859	36,540
Maintenance Contract	46,583	-	46,583	47,448
Payroll Taxes	3,574	-	3,574	3,198
Pest Control	7,157	-	7,157	5,380
Property Protection	3,883	-	3,883	7,249
Fire Prevention	1,562	-	1,562	-
<b>Administrative</b>				
Audit/Tax Prep/Rsv Study	4,900	-	4,900	3,775
Bad Debt	12,615	-	12,615	-
Insurance	55,574	-	55,574	48,767
Legal & Professional	8,463	-	8,463	6,365
Management Fee	48,396	-	48,396	47,400
Taxes, Licenses & Permits	832	-	832	3,625
Office & Administrative	19,703	-	19,703	15,197
<b>Major Repairs and Replacements</b>	<b>-</b>	<b>186,046</b>	<b>186,046</b>	<b>596,583</b>
<b>TOTAL EXPENSES</b>	<b>735,088</b>	<b>186,046</b>	<b>921,134</b>	<b>1,236,775</b>
Excess of Revenues over Expenses or (Expenses over Revenues)	146,177	(153,201)	(7,024)	(393,337)
Beginning Fund Balances	(7,555)	839,503	831,948	1,225,285
Net Interfund Transfers	(183,999)	183,999	-	-
<b>ENDING FUND BALANCES</b>	<b>\$ (45,377)</b>	<b>\$ 870,301</b>	<b>\$ 824,924</b>	<b>\$ 831,948</b>

See accompanying notes to financial statements

**RIVIERA GARDENS HOMEOWNERS ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(With Comparative Totals for 12/31/2021)**

	<b>2022</b>			<b>2021</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total Funds</b>	<b>Total Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	\$ 146,177	\$ (153,201)	\$ (7,024)	\$ (393,337)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Allowance for Doubtful Accounts	1,298	-	1,298	(22,780)
(Increase) decrease in:				
Assessments Receivable	(8,129)	-	(8,129)	22,443
Prepaid Taxes	2,956	-	2,956	-
Increase (decrease) in:				
Accounts Payable	12,742	4,332	17,074	(4,784)
Prepaid Assessments	10,809	-	10,809	(5,147)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>165,853</u>	<u>(148,869)</u>	<u>16,984</u>	<u>(403,605)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Changes in CD's		600,000	600,000	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Due to/from other fund	14,439	(14,439)	-	-
Interfund transfers	(183,999)	183,999	-	-
Sub Total	<u>(3,707)</u>	<u>620,691</u>	<u>616,984</u>	<u>(403,605)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>(3,707)</u>	<u>620,691</u>	<u>616,984</u>	<u>(403,605)</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>24,151</u>	<u>239,503</u>	<u>263,654</u>	<u>667,259</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 20,444</u>	<u>\$ 860,194</u>	<u>\$ 880,638</u>	<u>\$ 263,654</u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,510</u>

See accompanying notes to financial statements

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**RIVIERA GARDENS HOMEOWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 – ORGANIZATION**

RIVIERA GARDENS HOMEOWNERS ASSOCIATION was incorporated on February 26, 1977 as a nonprofit mutual benefit corporation in the State of California. Its primary purpose is to act as “management body” for the preservation, maintenance and architectural control of the common areas within the project. There are 221 condominium residential units, 4 pools, and 4 spas, all located in Palm Springs, 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 the date of the audit report which is the date that the financial statements were available to be issued.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund Accounting

The Association’s accounting records are maintained on a modified accrual basis; however, 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.

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.

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. The annual budget and assessments of owners are determined by the Board of Directors who are elected by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. The Association records both the Operating and Replacement Funds assessments as revenue when due, which is in compliance with FASB ASC 606.

The Association’s policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. The Association uses a guideline of 100% provision for Allowance for Doubtful Accounts for all accounts delinquent over one year, foreclosed on, in bankruptcy, or abandoned, as well as on a case-by-case basis of other facts and circumstances.

Property and Equipment

Real property and common areas acquired from the developer and related improvements are not recognized as assets on the Association’s financial statements. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for the purpose of financial reporting.

Interest Income

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

**RIVIERA GARDENS HOMEOWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash, Cash Equivalents, Certificates of Deposit

Per the provisions of U.S. generally accepted accounting principles cash and cash equivalents include the Association's cash, checking accounts, money market funds and certificates of deposits with original maturities of 90 days or less. Certificates of Deposit with original maturities over 90 days are listed separately as Certificates of Deposit.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

Summarized Prior-Year Financial Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. It is being shown for informational purposes only. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year ended December 31, 2021, from which the summarized information was derived.

**NOTE 4 – INCOME TAXES**

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and California Revenue and Taxation Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The applicable tax rate is 30% for the federal government and 8.84% for the Franchise Tax Board.

**NOTE 5 – FASB TOPIC ASC 606**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606 ("Topic"), *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The Association does not believe the attributes of the Topic fit with the nature, definitions, and practices of such revenues of the Association: The Association's source of revenues are dues assessments from owners not "customers" and there is not a "contract" with the owners regarding such revenues.

**RIVIERA GARDENS HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association’s governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study in July of 2022 to estimate the remaining useful lives and the replacement costs of the common property components. The Association should fund such major repairs and replacements over the estimated useful lives of the components based on the study’s estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary materially from the estimates. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds turn out to be necessary, the Association has the right to increase regular assessments, levy special assessments or delay major repairs and replacements until funds become available. The association spent the following for major repairs and replacements:

Landscape	\$ 82,549
Pool/Spa	13,263
Plumbing	11,709
Fence/Gates/Rail	18,313
Pool Furniture	5,594
Painting	16,750
General Repairs	8,331
Insurance Premium	2,000
Water	23,205
<b>Total</b>	<b>\$ 181,714</b>

**NOTE 7 – RELATED PARTY**

During the year, the Association paid \$1,120 for collection services from an entity owned by one of the property management company’s principals.



**RIVIERA GARDENS HOMEOWNERS ASSOCIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2022  
(UNAUDITED)**

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the common area replacement components during July of 2022.

The estimates were based on inspection by the independent consultant, and the information provided by the Board of Directors, property manager and others familiar with the development. Replacement costs were based on the estimated costs to repair or replace the common area replacement components at the time of the study. Estimated current replacement costs have not been revised since that date 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.

Category	Estimated Remaining Useful Lives(Years)	Estimated Current Replacement Costs	Annual Funding Requirement	Fully Funded Reserve Requirement
Access Sysytem	1-16	123,289	5,959	69,571
Asphalt & Concrete	0-18	319,752	11,225	127,195
Buildings, Balconies/Decks	2-4	38,752	2,446	30,489
Buildings, Doors	4	5,225	271	3,135
Buildings, Plumbing	0-23	43,000	5,176	33,480
Buildings, Roofs	0-28	1,128,267	114,377	955,130
Electrical/Lights	0-23	297,740	10,623	119,315
Fence/Gates/Rail	9-28	285,981	13,343	171,474
Irrigation	6-23	125,650	2,722	31,502
Landscape	0-8	89,500	10,921	49,500
Mailboxes	25	55,300	818	9,217
Paint	0-9	311,802	7,272	49,160
Pool Furniture	0-11	17,550	1,040	9,889
Pools & Spas	0-22	238,564	17,626	160,533
Signage	28	6,500	48	433
Site Amenities	0-11	4,000	261	2,717
<b>Totals</b>		<b>\$ 3,090,872</b>	<b>\$ 204,128</b>	<b>\$ 1,822,739</b>

For the year ended December 31, 2022, the annual budgeted allocation to replacements is \$204,128 and the cash/cash equivalent/investments in replacement funds as of December 31, 2022, total \$860,194.

California Civil Code requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. The report must be available to all owners. Although the code does not require adequate funding, disclosure must be made.