



# Sonnenberg & Company, CPAs

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members  
**Beverlywood West Homeowners Association**

We have audited the accompanying balance sheet of Beverlywood West Homeowners Association as of December 31, 2004, and the related statements of revenues and expenses and changes in fund balances, and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's December 31, 2003 financial statements and, in our report dated February 24, 2004, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Beverlywood West Homeowners Association as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying information on page 7 relating to future major repairs and replacements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

Sonnenberg & Company, CPAs

June 28, 2005

**Beverlywood West Homeowners Association**  
**Balance Sheet**  
**December 31, 2004**  
(With Comparative Totals for 2003)

	2004			2003
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>ASSETS:</b>				
Cash in Checking	\$ 23,378	\$	\$ 23,378	\$ 20,627
Cash in Money Funds		253,365	253,365	310,876
Investment in CDs		59,976	59,976	93,463
Assessments Receivable	7,550		7,550	1,478
Prepaid Insurance	20,722		20,722	16,044
Prepaid Tax	193		193	1,406
<b>TOTAL ASSETS</b>	<b>\$ 51,843</b>	<b>\$ 313,341</b>	<b>\$ 365,184</b>	<b>\$ 443,894</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 11,962	\$	\$ 11,962	\$ 12,545
Prepaid Assessments	6,275		6,275	5,779
<b>TOTAL LIABILITIES</b>	<b>18,237</b>	<b>0</b>	<b>18,237</b>	<b>18,324</b>
<b>FUND BALANCES</b>	<b>33,606</b>	<b>313,341</b>	<b>346,947</b>	<b>425,570</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 51,843</b>	<b>\$ 313,341</b>	<b>\$ 365,184</b>	<b>\$ 443,894</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**Beverlywood West Homeowners Association**  
**Statement of Revenues and Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2004**  
**(With Comparative Totals for 2003)**

	2004			2003
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES:</b>				
Owners Assessments	\$ 447,732	\$ 160,668	\$ 608,400	\$ 570,960
Late Charges	374		374	2,304
Interest	30	4,022	4,052	4,287
<b>TOTAL REVENUES</b>	<u>448,136</u>	<u>164,690</u>	<u>612,826</u>	<u>577,551</u>
<b>EXPENSES:</b>				
<b>Administrative-</b>				
Audit, Tax Prep, Reserve Study	2,290		2,290	2,045
Bad Debt			0	3,505
Insurance	96,425		96,425	84,865
Management	23,956		23,956	22,200
Other Administration	17,729		17,729	10,002
Taxes - Income	1,223		1,223	1,308
<b>Total Administrative</b>	<u>141,623</u>	<u>0</u>	<u>141,623</u>	<u>123,925</u>
<b>Maintenance-</b>				
Custodial	10,317		10,317	8,907
Fences & Walls			0	14,110
Interior Repairs	20,946		20,946	
Landscape	65,403	1,000	66,403	61,153
Mold Remediation	21,921		21,921	0
Paint		195,510	195,510	
Paving / Concrete			0	8,000
Payroll & Related	59,952		59,952	57,076
Pest Control	13,038		13,038	15,850
Pool	7,645	1,775	9,420	7,993
Recreation Room			0	21,800
Repairs & Maintenance	33,727	14,216	47,943	68,343
Roofing and Decks			0	6,936
Tree Maintenance		13,185	13,185	0
<b>Total Maintenance</b>	<u>232,949</u>	<u>225,686</u>	<u>458,635</u>	<u>270,168</u>
<b>Utilities-</b>				
Gas & Electricity	30,158		30,158	30,082
TV Cable / Telephone	42,453		42,453	41,312
Water & Sewer	18,580		18,580	17,473
<b>Total Utilities</b>	<u>91,191</u>	<u>0</u>	<u>91,191</u>	<u>88,867</u>
<b>TOTAL EXPENSES</b>	<u>465,763</u>	<u>225,686</u>	<u>691,449</u>	<u>482,960</u>
Excess Revenue / (Expense)	\$ (17,627)	\$ (60,996)	\$ (78,623)	\$ 94,591
Beginning Fund Balances	21,231	404,339	425,570	330,979
Interfund Transfers	30,002	(30,002)	0	
<b>Ending Fund Balances</b>	<u>\$ 33,606</u>	<u>\$ 313,341</u>	<u>\$ 346,947</u>	<u>\$ 425,570</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**Beverlywood West Homeowners Association**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2004  
(With Comparative Totals for 2003)

	2004			2003
Cash Flows From -	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>Operating Activities:</b>				
Excess Revenue / (Expense)	\$ (17,627)	\$ (60,996)	\$ (78,623)	\$ 94,591
(Increase) / Decrease in:				
Assessments Receivable	(6,072)		(6,072)	1,537
Prepaid Insurance	(4,678)		(4,678)	22,665
Prepaid Tax	1,213		1,213	1,298
Increase / (Decrease) in:				
Accounts Payable	(583)		(583)	1,070
Prepaid Assessments	496		496	4,074
Income Taxes Payable			0	0
Net Operating Activities	<u>(27,251)</u>	<u>(60,996)</u>	<u>(88,247)</u>	<u>125,235</u>
<b>Financing Activities:</b>				
Interfund Receivable / Payable	<u>30,002</u>	<u>(30,002)</u>	<u>0</u>	<u>0</u>
Net Investment Activities	30,002	(30,002)	0	0
<b>Investment Activities:</b>				
Sale of Investments		35,000	35,000	230,000
Purchase of Investments			0	(235,000)
Reinvestment of CD Interest		<u>(1,513)</u>	<u>(1,513)</u>	<u>(1,440)</u>
Net Investment Activities	<u>0</u>	<u>33,487</u>	<u>33,487</u>	<u>(6,440)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	2,751	(57,511)	(54,760)	118,795
Cash and Cash Equivalents at: Beginning of Year	<u>20,627</u>	<u>310,876</u>	<u>331,503</u>	<u>212,708</u>
End of Year	<u>\$ 23,378</u>	<u>\$ 253,365</u>	<u>\$ 276,743</u>	<u>\$ 331,503</u>
<b>Supplemental Disclosure:</b>				
Income taxes paid	<u>\$ 1,223</u>	<u>\$ 0</u>	<u>\$ 1,223</u>	<u>\$ 1,308</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**Beverlywood West Homeowners Association**  
Notes to Financial Statements  
December 31, 2004

**Note 1. Organization:**

Beverlywood West Homeowners Association was incorporated on June 1, 1967 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 Culver City, California which includes 156 residential units.

**Note 2. Accounting Method:**

The Association's accounting records are maintained on a cash 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.

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 can not be disposed of by the Association.

Per the provisions of FASB Statement No. 95, regarding "Statement of Cash Flows", cash equivalents consist primarily of certificates of deposits and other 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 amounts shown for the previous year are included to provide a basis for comparison and present summarized totals only and does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2003, from which the summarized information was derived.

**Note 3. Income Tax Status:**

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.

**Beverlywood West Homeowners Association**  
Notes to Financial Statements  
December 31, 2004

**Note 4. 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 excess funds for expenses in future years. Regular assessments to members were \$325 per unit per month for the year ended December 31, 2004. 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. No allowance for uncollectible accounts is deemed necessary.

**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 \$313,341 at December 31, 2004, 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.

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 the Association is 29.77% funded. Special assessments may be required to meet expenditures.

The Association's budgeted replacement funding for the year ended December 31, 2004 was \$160,668. The Association did not transfer \$40,167 of budgeted replacement funding to the replacement fund saving accounts. Replacement fund disbursements totaling \$225,686 were made during the year for painting, tree maintenance, sewere and plumbing, and other major repairs. The Association used \$10,165 from the operating fund to pay for replacement fund expenditures during the year.

The Board has not documented plans to repay these amounts and therefore, \$30,002 is reflected as a transfer from the replacement fund to the operating fund.

**Beverlywood West Homeowners Association**  
 Supplementary Information  
 Future Major Repairs and Replacements  
 December 31, 2004

(Unaudited)

California CC 1365.5 requires a physical inspection every three years. A 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 as of December 31, 2004.

A study provides estimates of the remaining useful lives and current replacement cost 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	Annual Funding Requirement	Accumulated Replacement Requirement Per Study	Component of Fund Balance
Roof / Decks	0 - 17	\$ 581,400	\$ 99,505	\$ 474,241	\$ 141,186
Structure	0 - 2	53,700	10,923	52,060	15,499
Paint	3 - 9	321,800	10,529	50,180	14,938
Mechanical	0	7,000	1,469	7,000	2,084
Plumbing	2 - 9	76,850	16,002	76,265	22,705
Electrical	2 - 7	20,150	2,745	13,080	3,894
Flooring	7 - 12	8,250	488	2,325	692
Pool / Spa	0 - 23	75,150	8,311	39,608	11,794
Tennis Courts	4	60,000	3,311	15,778	4,697
Landscape / Hardscape	0 - 7	251,750	28,747	137,008	40,788
Recreation Facilities	0 - 23	107,700	9,810	46,756	13,919
Miscellaneous	0 - 1	11,400	2,282	10,875	3,235
Contingency		13,623	2,865	13,623	4,056
<b>Totals</b>		<b>\$ 1,588,773</b>	<b>\$ 196,986</b>	<b>\$ 938,799</b>	<b>\$ 279,487</b>

As of December 31, 2004

The annual budgeted allocation to replacements      \$ 160,668

The cash balance in replacement funds      \$ 313,341