THE OAKS COMMUNITY ASSOCIATION
(A Corporation)

FINANCIAL REPORT
(REVIEWED)

DECEMBER 31, 2024

C O N T E N T S

Schwartz
Giannini
Lantsberger
& Adamson
ACCOUNTANCY CORPORATION

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Members
The Oaks Community Association
Ione, California

We have reviewed the accompanying financial statements of The Oaks Community Association (A Corporation), which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses, and changes in fund balance (deficit) and 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountants' 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 The Oaks Community Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' 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.

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Emphasis of Other Matters

As explained in Note 3 to the financial statements, based upon the reserve study conducted in October 2023, there is an estimated reserve funding deficiency of $2,873 per ownership interest as of December 31, 2024.

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 10 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.

Schwartz, Giannini, Lantsberger & Adamson

Stockton, California
July 21, 2025

THE OAKS COMMUNITY ASSOCIATION

BALANCE SHEET
DECEMBER 31, 2024

See Independent Accountants' Review Report

ASSETS	Operating Fund	Replacement Fund	Total
Cash and cash equivalents	$ 55,752	$ 181,528	$ 237,280
Investments (Note 4)	-	350,000	350,000
Assessments receivable (less allowance for credit losses of $5,000)	41,701	-	41,701
Total assets	$ 97,453	$ 531,528	$ 628,981

LIABILITIES AND FUND BALANCE (DEFICIT)	Operating Fund	Replacement Fund	Total
Assessments received in advance - operating	$ 14,858	$ -	$ 14,858
Accounts payable	3,074	-	3,074
Deposits	18,360	-	18,360
Contract liabilities (assessments received in advance - replacement reserve)	-	531,528	531,528
Total liabilities	$ 36,292	$ 531,528	$ 567,820
Fund balance (deficit)	61,161	-	61,161
Total liabilities and fund balance (deficit)	$ 97,453	$ 531,528	$ 628,981

See Notes to Financial Statements.

THE OAKS COMMUNITY ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (DEFICIT) FOR THE YEAR ENDED DECEMBER 31, 2024

See Independent Accountants' Review Report

REVENUES	Operating Fund	Replacement Fund	Total
Membership assessments - dues	$ 416,545	$ 132,343	$ 548,888
Utility charges	864,707	-	864,707
RV storage income	15,555	-	15,555
Fines and violations	25,858	-	25,858
Bad debt recovery	26,566	-	26,566
Clubhouse rental	675	-	675
Other income	2,537	-	2,537
Interest income	-	18,671	18,671
Total revenues	$ 1,352,443	$ 151,014	$ 1,503,457
EXPENSES			
Clubhouse	$ 23,059	$ -	$ 23,059
Insurance	30,973	-	30,973
Legal and professional	13,460	-	13,460
Office and administrative expenses	25,221	-	25,221
Personnel costs	275,741	-	275,741
Pool maintenance and supply	23,368	-	23,368
Repairs and maintenance	61,220	147,969	209,189
Reserve study	-	3,045	3,045
Taxes and permits	6,642	-	6,642
Utilities	599,904	-	599,904
Water distribution system	1,295	-	1,295
Water plant	181,206	-	181,206
Total expenses	$ 1,242,089	$ 151,014	$ 1,393,103
Excess of revenues over expenses	$ 110,354	$ -	$ 110,354
Fund balance adjustment (Note 5)	331,692	-	331,692
Fund balance (deficit), beginning	(380,885)	-	(380,885)
Fund balance (deficit), ending	$ 61,161	$ -	$ 61,161

See Notes to Financial Statements.

THE OAKS COMMUNITY ASSOCIATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

See Independent Accountants' Review Report

CASH FLOWS FROM OPERATING ACTIVITIES:	**Operating Fund**	**Replacement Fund**	**Total**
Excess of revenues over expenses	$ 110,354	$ -	$ 110,354
Adjustments to reconcile excess of revenues over expenses			
to net cash provided by operating activities:			
Changes in assets and liabilities:			
(Increase) in:			
Assessments receivable	(18,265)	-	(18,265)
Prepaid expenses	5,473	-	5,473
Increase in:			
Assessments received in advance - operating	7,203	-	7,203
Accounts payable	(66,247)	(1,077)	(67,324)
Accrued payroll	(15,854)	-	(15,854)
Deposits	18,360	-	18,360
Contract liabilities (assessments received in advance - replacement reserve)	-	15,501	15,501
Net cash provided by operating activities	$ 41,024	$ 14,424	$ 55,448
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificates of deposit	$ -	$ (50,000)	$ (50,000)
Net cash (used in) investing activities	$ -	$ (50,000)	$ (50,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund borrowing	$ (96,502)	$ 96,502	$ -
Net cash provided by (used in) financing activities	$ (96,502)	$ 96,502	$ -
Net increase (decrease) in cash and cash equivalents	$ (55,478)	$ 60,926	$ 5,448
Cash and cash equivalents at beginning of year	111,230	120,602	231,832
Cash and cash equivalents at end of year	$ 55,752	$ 181,528	$ 237,280

See Notes to Financial Statements.

THE OAKS COMMUNITY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
The Oaks Community Association (the Association) is a nonprofit, mutual benefit corporation, located in Ione, California. Its primary purpose is to provide for the maintenance, preservation and architectural control of the grounds and common areas of the 209 residential lots in the Association. The Association provides billing for all utilities. The Association was incorporated October 1993 in the State of California. It derives its authority and responsibilities from a Declaration of Covenants, Conditions and Restrictions executed and recorded on January 14, 2004.

The Association is a non-profit, non-stock, membership organization operating for the benefit of the owners. Every owner of a residential unit is a member of the Association.

Significant Accounting Policies
The Association's revenues arise principally from assessments levied upon each unit. The assessment is based upon the total amount of funds necessary to pay the common expenses of the Association for the year. In addition, special assessments may be levied by the Board of Directors if the regular assessments are inadequate to meet the anticipated expenses each year.

The Association uses fund accounting prepared on the accrual basis of accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Member dues and assessments are recorded as income to the operating fund. Special assessments are recorded as restricted income to the fund that they are assessed for.

Operating Fund
This fund is used to account for financial resources available for the general operations of the Association.

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

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Member Assessments / Allowance for Credit Losses

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, 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 are 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.

Monthly assessments are due on the first day of each month and are considered delinquent if not received by the 15th day of the month. The Association's policy is to retain legal counsel and place liens on the property for payments not received. If dues become delinquent for over one year or if the past due amount is over $1,800, that will cause a non-judicial foreclosure proceeding against the owner's property in compliance with the current applicable laws. The Association treats uncollectible assessments as credit losses. The Association evaluates the collectability of assessments receivable based on current conditions, past experience, and forecasts of future events. Based on these factors, the allowance for credit losses at the beginning and end of the year was $5,000 and $5,000, respectively. Assessments received in advance as of the beginning and end of the year were $7,655 and $14,858, respectively.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2024, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal tax returns for 2022, 2023 and 2024 remain open to examination by the Internal Revenue Service; state income tax returns for 2021, 2022, 2023 and 2024 are open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

<u>Contract Liabilities (Assessments received in advance – replacement fund)</u>
The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) 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 (assessments received in advance-replacement fund) as of the beginning and end of the year are $516,027 and $531,528, respectively.

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 July 21, 2025, the date the financial statements were available to be issued.

NOTE 3. REPLACEMENT RESERVE

The California Civil Code requires that the Association provide an estimate of the replacement costs and the estimated remaining useful life of, and the methods of funding used to defray the future repair, replacement, or additions to, those major components which the Association is obligated to maintain. Accumulated funds, which aggregate $531,528 at December 31, 2024, are held in separate accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study with site visit in October 2023 to estimate the remaining useful lives and replacement costs of the common property components. The Association is providing funding for major repairs and replacements over the remaining useful lives of components based on estimates of future replacement costs. 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.

NOTE 3. REPLACEMENT RESERVE (Continued)

If actual replacement costs exceed funds available, or if no fund was established for replacement of common areas, the Association has the right to increase the annual assessment, pass additional assessments or delay replacement until funds are available. Based on the reserve study's estimated fully funded balance of $1,137,174, and the reserve cash on hand, the estimated deficiency in reserve funding as of December 31, 2024 is $2,873 per ownership interest.

NOTE 4. INVESTMENTS

ASC 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investment securities are carried at amortized cost. Fair value is based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31, 2024:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held to Maturity:				
Certificates of deposit	$ 350,000	$ 5,231	$ -	$ 355,231
	$ 350,000	$ 5,231	$ -	$ 355,231

NOTE 5. FUND BALANCE ADJUSTMENT

As of December 31, 2024, the Association owed the replacement fund $331,692. Management has eliminated this interfund balance from the balance sheet which increased the operating fund balance and decreased the contract liability – replacement fund by $331,692.

SUPPLEMENTARY INFORMATION

THE OAKS COMMUNITY ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (COMPILED)
DECEMBER 31, 2024
See Independent Accountants' Review Report

An independent study was conducted in October 2023 with site visit to estimate the remaining useful lives and the replacement costs of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date. The study includes a 2.5% inflation factor and a 1.5% interest rate.

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2024 Fully Funded Balance
Paving	$ 746,613	2-25	0-5	$ 609,975
Concrete	11,790	30	24	2,820
Painting: Exterior	11,712	5-8	1-4	9,279
Painting: Interior	6,315	10	3	5,179
Structural repairs	16,590	8-25	4-21	5,978
Roofing	50,640	15-30	1-24	49,954
Rehab	13,290	1-20	1-2	13,255
Gate equipment	27,703	8-18	1-10	23,764
Pool	27,519	5-24	1-7	17,542
Spa	17,018	2-10	0-6	11,777
Basketball / Sport court	1,053	8	1	1,079
Landscaping	3,045	20	7	2,185
Lakes / Ponds	30,610	8-20	1-7	19,505
Fencing	78,413	1-30	1-29	51,819
Retaining wall	57,567	8-24	6-9	36,221
Lighting	2,750	1	1	2,819
Mechanical equipment	42,550	10-25	1-10	40,999
Furnishings	4,520	8	2	4,054
Audio / Visual	979	10	0-3	531
Safety / Access	8,300	6	5	2,836
Flooring	16,567	10-25	3	14,121
Outdoor equipment	70,455	3-30	1-24	41,354
Appliances	3,380	15-20	1	3,465
Waste water treatment	113,090	10-25	1-12	67,876
Infrastructure	29,739	1-2	0-1	29,724
Miscellaneous	110,814	1-25	1-20	69,065
Totals	$ 1,503,023			$ 1,137,174