

May 21, 2024

RE: Concerto Lofts Maintenance Corporation
Audit for Fiscal Year Ending December 31, 2023
Owner Notice Disclosure Form

Dear Concerto Lofts HOA Members,

California Civil Code § 5305 and your CC&Rs require that an independent review of the financial operations of your association be conducted at the end of each fiscal year.

Your Board of Directors has engaged the services of Newman and Associates to conduct an annual audit of the Association's financial statements. Their report is enclosed for your files.

It is suggested that you read this information carefully and keep these reports with all other documents concerning your property, as it may be necessary to show this information to any prospective buyers of your property.

Also included with this packet is an Owner Notice Disclosure form. Each year, all owners are required to provide specific information as required by California Civil Code § 4041 to ensure that the membership is kept informed. **Please complete the form and return it within 10 days to ensure you have met your obligations as required by the State of California.** If at any time you wish to change your method of delivery, simply contact the Seabreeze Customer Care Team in writing at 26840 Aliso Viejo Pkwy., Suite 100; Aliso Viejo, CA 92656 or by email at customercare@seabreezemgmt.com.

Lastly, if you prefer to receive your billing statements electronically, please visit <https://estatement.welcomelink.com> to sign up. This option allows you to receive only the Association statements electronically, while still receiving other official documentation via regular mail if you prefer. Alternatively, you can contact management, and we'll update your preference for you.

Please note that the names and addresses of the current members are located at the offices of Seabreeze Management Company, Inc. Should you have any questions regarding the enclosed information, please contact our Community Manager Andrea Thrower at 949.672.9020 or andrea.thrower@seabreezemgmt.com.

Sincerely,

The Board of Directors
Concerto Lofts Maintenance Corporation



BAY AREA
COACHELLA VALLEY
INLAND EMPIRE
LAS VEGAS
LOS ANGELES
ORANGE COUNTY
SAN DIEGO

Concerto Lofts Maintenance Corporation
Owner Notice Disclosure
Date: May 21, 2024

California law requires all Owners in a community association to provide the following information to the association on an annual basis. Please complete and return this form within ten (10) days. If this form is not returned, then by law Association notices will only be sent to the last property address provided by you, or if none was received, the property address within this association.

1. Owner Name(s): _____
2. Owner Phones: H: _____ C: _____
3. Owner Email(s): _____
4. Address in the Association: _____
5. Mailing Address (can be same): _____
6. Valid Email Address(es):* _____
Optional alternate or secondary delivery method for receiving notices from the Association, including:
 7. Secondary Mailing Address: _____
 8. Secondary Email Address(es):* _____
9. Member's preferred delivery method for receiving notices:
Mailing address ☐ Email address ☐ Both ☐
10. Owner's legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the Member's extended absence from the separate interest:
 - 10a. Name: _____
 - 10b. Mailing Address: _____
 - 10c. Valid Email Address(es): _____
- 11a. This property is (check one): Owner-occupied ☐ Rented out ☐
- 11b. If rented out, your tenant's: C: _____ Email: _____
12. This property is developed, but vacant: Yes ☐ No ☐
13. This property is on undeveloped land: Yes ☐ No ☐
14. Civil Code provides homeowners with an opportunity to "OPT OUT" of sharing their names, property address, and mailing address on the association's membership list. *This opt out shall remain in effect until changed by the homeowners.*
15. Do you wish to "OPT OUT" of neighbors receiving info? Yes ☐ No ☐

*Please note: Civil Code does not require members to provide an email address to the Association but does require the Association to ask for it. Additionally, if you would like Opt In for electronic receipt of documents, please also complete and submit the attached form. This form is required to be sent to you. Please return all applicable forms within 10 days to:

Concerto Lofts
c/o Seabreeze Management Company, Customer Care
26840 Aliso Viejo Pkwy, Suite 100
Aliso Viejo, CA 92656
customercare@seabreezemgmt.com

Electronic Consent Agreement

By signing below, you are providing consent for Seabreeze Management Company, Inc. to provide required disclosures to you electronically. This consent for electronic delivery applies to all required disclosures regarding accounts you have with us and is effective until withdrawn by you. Agreeing to accept disclosures electronically means that once we present them to you, and, if required, you accept them, they will apply to you and your accounts with us. It also means that we may not mail you copies of disclosures that are provided electronically. Accordingly, you should print or otherwise retain a copy for your records of this disclosure and all other disclosures you receive electronically.

We may, at our discretion, make electronic disclosures available to you via our website or by e-mail, and may choose to send paper copies of disclosures to you even though we made or could have made them available to you electronically. You can withdraw your consent to electronic delivery, but doing so will not affect the legal effectiveness, validity, or enforceability of the electronic documents that were provided to you before your withdrawal became effective. If you withdraw consent for electronic delivery, your withdrawal may take up to ten (10) days for us to process. You can request that we send you a paper copy of any disclosure that was originally provided electronically (we may charge you a fee for providing some documents and we will send these to documents to you using the United States Postal Service), withdraw your consent to receive future documents electronically, or provide us with updated information about how we can contact you electronically by writing to us. If your e-mail address changes, you must provide us with the new address. You may address any inquiries or questions to Seabreeze Management Company, Inc., by visiting www.seabreezemgmt.com and sending us an e-mail to customercare@seabreezemgmt.com, calling us at 1-800-232-7517, or writing us at:

Seabreeze Management Company, Inc.
26840 Aliso Viejo Pkwy., Suite 100
Aliso Viejo, CA 92656

In order to receive electronic disclosures, you will need a working connection to the Internet. Your browser must support the Secure Sockets Layer (SSL) protocol. SSL provides a secure channel to send and receive data over the Internet through HS encryption capabilities. Microsoft Internet Explorer® version 7 or higher and Mozilla Firefox® version 3 or higher support this feature. You will also need either a printer connected to your computer to print documents or sufficient hard drive space available to save the information. We may change this disclosure by posting the revised version on our website. By signing below, you are confirming that you consent to electronic delivery of disclosures, that your system meets the requirements described above, that you are able to access disclosures presented on our website or via e-mail, and that you can either print or electronically store these disclosures.

I consent to receiving documents electronically (*required items):

*Print Name: _____ *Unit Address: _____

*HOA Name: _____ *Email Address: _____

*Date: _____ *Signature: _____

Preferred Phone: _____ ☐ Mobile ☐ Home ☐ Work

Concerto Lofts Maintenance Corporation
Financial Statements
For the Year Ended December 31, 2023



NEWMAN
Certified Public Accountant, PC

Concerto Lofts Maintenance Corporation
Financial Statements
For the Year Ended December 31, 2023

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NEWMAN
Certified Public Accountant, PC

Independent Auditor's Report

To the Board of Directors of Concerto Lofts Maintenance Corporation

Opinion

We have audited the accompanying financial statements of Concerto Lofts Maintenance Corporation, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concerto Lofts Maintenance Corporation as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Concerto Lofts Maintenance Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 5 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Concerto Lofts Maintenance Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Concerto Lofts Maintenance Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Concerto Lofts Maintenance Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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 consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses 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.

Newman Certified Public Accountant, PC.

Newman Certified Public Accountant, PC

Carlsbad, California

February 24, 2024

Concerto Lofts Maintenance Corporation
Balance Sheet
December 31, 2023

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 66,709	\$ 267,144	\$ 333,853
Investments	-	320,000	320,000
Assessments receivable	12,526	-	12,526
Allowance for doubtful accounts	(6,599)	-	(6,599)
Interest receivable	-	4,630	4,630
Prepaid insurance	2,554	-	2,554
Due from (to) fund	(9,522)	9,522	-
Total assets	<u>\$ 65,668</u>	<u>\$ 601,296</u>	<u>\$ 666,964</u>
Liabilities			
Accounts payable	\$ 152,747	\$ 6,000	\$ 158,747
Income tax payable	1,009	-	1,009
Prepaid assessments	28,108	-	28,108
Contract liabilities (assessments received in advance - replacement fund)	-	595,296	595,296
Total liabilities	<u>181,864</u>	<u>601,296</u>	<u>783,160</u>
Fund balances	<u>(116,196)</u>	<u>-</u>	<u>(116,196)</u>
Total liabilities and fund balances	<u>\$ 65,668</u>	<u>\$ 601,296</u>	<u>\$ 666,964</u>

Concerto Lofts Maintenance Corporation
Statement of Revenues and Expenses and Changes in Fund Balances
For the Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
Revenues			
Owners' assessments	\$ 515,505	\$ 68,345	\$ 583,850
Late fees and interest	3,057	-	3,057
Interest	-	5,082	5,082
Other member income	2,870	-	2,870
Total revenues	<u>521,432</u>	<u>73,427</u>	<u>594,859</u>
Expenses			
Utilities			
Electricity and gas	86,402	-	86,402
Water and sewer	73,921	-	73,921
Telephone, cable and internet	11,919	-	11,919
Trash removal	35,104	-	35,104
	<u>207,346</u>	<u>-</u>	<u>207,346</u>
Common Area			
Landscape and irrigation	29,068	51,922	80,990
Tree trimming	-	3,284	3,284
Window washing	6,800	-	6,800
Common area repairs and maintenance	6,729	8,850	15,579
Pest control	3,958	-	3,958
Building maintenance and repair	34,945	-	34,945
Elevator	23,373	6,203	29,576
Fire prevention	32,975	-	32,975
Janitorial	74,089	-	74,089
Plumbing	23,313	2,993	26,306
Boiler	8,175	-	8,175
	<u>243,425</u>	<u>73,252</u>	<u>316,677</u>
Administrative			
Insurance	23,474	-	23,474
Management	27,880	-	27,880
Legal and professional	9,711	-	9,711
Parking easement	15,906	-	15,906
Administrative expense	8,593	175	8,768
Bad debt expense	5,038	-	5,038
Income tax expense	1,009	-	1,009
Property tax	300	-	300
	<u>91,911</u>	<u>175</u>	<u>92,086</u>
Total expenses	<u>542,682</u>	<u>73,427</u>	<u>616,109</u>
Excess (deficit) of revenues over (under) expenses	(21,250)	-	(21,250)
Beginning fund balances	(42,061)	-	(42,061)
Transfer to/from contract liabilities	(52,885)	-	(52,885)
Ending fund balances	<u>\$ (116,196)</u>	<u>\$ -</u>	<u>\$ (116,196)</u>

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Concerto Lofts Maintenance Corporation
Statement of Cash Flows
For the Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
Excess (deficit) of revenues over (under) expenses	\$ (21,250)	\$ -	\$ (21,250)
Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash provided (used) by operating activities			
Decrease (Increase) in operating assets:			
Assessments receivable	(8,567)	-	(8,567)
Allowance for doubtful accounts	5,038	-	5,038
Interest receivable	-	(4,630)	(4,630)
Other receivable	447	-	447
Prepaid insurance	(94)	-	(94)
Prepaid expenses	7,007	-	7,007
Increase (Decrease) in operating liabilities:			
Accounts payable	115,357	6,000	121,357
Income tax payable	1,009	-	1,009
Prepaid assessments	(5,228)	-	(5,228)
Contract liabilities (assessments received in advance - replacement fund)	-	61,376	61,376
Total adjustments	114,969	62,746	177,715
Net cash provided (used) by operating activities	93,719	62,746	156,465
Cash provided (used) by investing activities:			
Investments	-	76,430	76,430
Net cash flows from investing activities	-	76,430	76,430
Cash provided (used) by financing activities:			
Interfund borrowings	(2,978)	2,978	-
Transfer to/from contract liabilities	(52,885)	-	(52,885)
Net cash flows from financing activities	(55,863)	2,978	(52,885)
Net increase (decrease) in cash and cash equivalents	37,856	142,154	180,010
Beginning cash and cash equivalents	28,853	124,990	153,843
Ending cash and cash equivalents	\$ 66,709	\$ 267,144	\$ 333,853
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			\$ -
Interest paid			\$ -

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Concerto Lofts Maintenance Corporation
Notes to Financial Statements
For the Year Ended December 31, 2023

1. Organization

Concerto Lofts Maintenance Corporation (the "Association") was incorporated on June 15, 2007, as a nonprofit mutual benefit corporation under the laws of California for the purposes of maintaining and preserving common property. The Association consists of 89 residential homes and is located in Los Angeles, California.

2. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 24, 2024, the date that the financial statements were available to be issued.

3. Summary of Significant Accounting Policies

Use of Estimates

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

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

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

Members Assessments and Allowance for Credit Losses

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

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on properties of owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$3,959 and \$12,526, respectively. After the Board of Directors has exhausted all efforts to collect delinquent accounts, the Board of Directors may elect to write off uncollectible balances.

Concerto Lofts Maintenance Corporation
Notes to Financial Statements
For the Year Ended December 31, 2023

The Association recorded an allowance for doubtful accounts of \$6,599 to reflect an estimate of accounts that may not be collectible.

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.

Contract Liabilities (Assessments received in advance – replacement fund)

The Association recognizes replacement fund (reserves) revenue from members as related performance obligations are satisfied. A contract liability (assessments received in advanced – replacement fund) is recorded when the Association has the right to receive payment in advance of satisfaction of performance obligations related to replacement reserve assessments. The balance of Contract Liabilities (assessments received in advanced – replacement fund) as of the beginning and end of the year are \$533,920 and \$595,296, respectively.

Income Tax

The Association's policy is to record interest expense or penalties related to income tax in operating expenses.

Interest Income

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

Cash and Cash Equivalents

Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit with original maturities of 90 days or less.

Investments

Investments consist of certificates of deposit and other securities and investment accounts with original maturities of more than 90 days.

4. Income Taxes

Common Interest Realty Associations are generally taxed either as a qualifying Internal Revenue Code (IRC) Section 528 homeowners' association or as a regular corporation subject to the special provisions of IRC Section 277 for membership organizations. For the current year, the Association has met IRC Section 528 eligibility requirements and has chosen to file Form 1120-H for its federal income tax return. The income tax filing determination is assessed for each tax year and only pertains to the tax year being evaluated.

IRC Section 528 requires that the Association separates all of its income and expense activity between three categories: exempt function, nonexempt function and capital. Taxable income includes net nonexempt function income, such as interest and other nonmember sourced income. In the determination of net taxable income, certain expenses were allocated to offset a portion of the Association's taxable income. The Form 1120-H tax rate is 30%.

The Association is also required to file California's Form 100 income tax return subject to California Revenue & Taxation Code sections 24405 and 24437 for its state income tax return. The Form 100 tax rate is 8.84%.

Concerto Lofts Maintenance Corporation
Notes to Financial Statements
For the Year Ended December 31, 2023

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of the year end, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions. The Internal Revenue Service and the California Franchise Tax Board can examine the Association's income tax returns generally up to three years and four years, respectively. There are currently no audits in progress for any tax period.

5. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and are generally not available for operating fund expenses.

The Board of Directors conducted a reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available.

6. FASB ASC 606 Revenue Recognition

The Financial Accounting Standards Board (FASB) issued ASC 606 guidance, Revenue from Contracts with Customers, effective January 1, 2019, which superseded the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRA), Revenue Recognition. The Association has presented the attached financial statements in accordance with FASB ASC 606. Assessments attributed to the Operating Fund are recognized in the period earned. Assessments allocated to the Replacement Fund are recognized as revenue only when there are replacement fund expenditures, and to the extent the replacement fund expenditures exceed replacement fund interest income.

The cumulative balance of Replacement Fund assessments that have not been recognized as income are accumulated as deferred replacement fund assessments and presented as Contract Liabilities (Assessments received in advance - Replacement fund) on the Balance Sheet. Deferred replacement fund assessments are increased by unrecognized replacement fund assessments and decreased as replacement fund assessments are recognized as revenue in the Statement of Revenue and Expenses and Changes in Fund Balances.

Contract liabilities (assessments received - in advance - replacement fund) as of January 01, 2023	\$ 533,919
Assessments budgeted for Replacement Fund	76,837
Recognized Replacement Fund assessments	(68,345)
Adjustment and transfer to/from contract liabilities	52,885
Contract liabilities (assessments received - in advance - replacement fund) as of December 31, 2023	<u>\$ 595,296</u>

Concerto Lofts Maintenance Corporation
Notes to Financial Statements
For the Year Ended December 31, 2023

7. Due From (To) Fund

The balance of the Due from (to) fund accounts as of December 31, 2023, totaled \$9,522. The balance is comprised primarily of unpaid monthly budgeted Replacement Fund contributions from the Operating Fund.

8. Operating Fund Deficit

As of December 31, 2023, the Association's Operating Fund deficit totaled \$116,196, resulting from cumulative operating expenses in excess of operating revenues. Options available to the Association's Board of Director's to remedy the deficit include, but are not limited to, increasing assessments, levying a special assessment, and reducing operating expenses.

Concerto Lofts Maintenance Corporation
Supplementary Information on Future Major Repairs and Replacements
December 31, 2023
(Unaudited)

The Association's Board of Directors, in conjunction with a reserve study expert, conducted a reserve study dated September 22, 2023, to estimate the remaining useful lives and the replacement costs of the components 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 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 and replacement.

The following information is based on the study and presents significant information about the components of common property.

Study Component	Estimated remaining useful lives (years)	Estimated future replacement costs
Painting projects	1-6	\$ 546,300
Exterior buildings	0-26	1,036,150
Interior buildings	1-15	355,150
Mechanical equipment	0-23	1,738,700
Garage	6-15	14,850
Landscape and irrigation	0-16	509,600
		<u>\$ 4,200,750</u>
Interest rate		<u>2.00%</u>
Inflation rate		<u>3.00%</u>

See the Balance Sheet for replacement fund cash, cash equivalents and investments balances at December 31, 2023