

**Audited Annual Financial (Required Civil Code Sec. 4525)
Wedgewood Manor Homeowners Association**

RECEIVED & READ

SIGNATURE **DATE**

SIGNATURE **DATE**

Wedgewood Manor Homeowners Association

C/O Common Interest Management Services
262 East Hamilton Avenue Suite #D
Campbell, Ca. 95008
(408)370-9902
Email: jfeierman@commoninterest.com

DATE: April 23rd, 2020
TO: All Wedgewood Manor Homeowners
FROM: Board of Directors and
Common Interest Management Services
RE: Annual Financial Review

Enclosed please find a copy of the Annual Financial Review of the Association for fiscal year 2019.

A copy is included for your review per Civil Code Section 5305 which in part states that "A review of the financial statement of the association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the association exceeds seventy-five thousand dollars (\$75,000). A copy of the review of the financial statement shall be distributed to the members within 120 days after the close of each fiscal year, by individual delivery pursuant to Section 4040."

If you have any questions on the Annual Financial Review, please contact your Association Manager, Jackie Feierman, at Common Interest Management, either by phone at 408-370-9902 ext 310 or via email at jfeierman@commoninterest.com.

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

March 2, 2020

Wedgewood Manor Homeowners Association

Here is the audit for Wedgewood Manor Homeowners Association for the year ended 12/31/19. There are several things that need to be done by you to complete this engagement.

1. One of my professional requirements of performing an audit is that I receive from the association something called a management representation letter. This is a letter from the board to me which basically states that they have provided me with all information requested and that they have complied with all state statues regarding homeowner associations. Please have them sign one copy and return to me. The copy is for your file.
2. I have included an "Association Resolution for Revenue Ruling 70-604". Revenue Ruling 70-604 is an Internal Revenue Service ruling which states that the association must specifically vote to carry over any excess receipts to the following year or refund the excess monies to the membership. If this resolution is not passed, then technically the association could be taxed on the excess receipts. From a practical standpoint, I don't believe this "concept" has actually been tested. This is a fine point of tax law and I advise this statement being signed in order to be in compliance with the law. It is best voted and signed at the annual meeting, but failing that, get the board to sign. I do not need a copy back.
3. Adjusting Journal Entries are attached.
4. You will note the financial statements contain a major change in the way that transactions in the reserve fund are reported. Under FASB ASC 972-605, the reserve fund is now reported as a "contract liability". I direct your attention to note G on the financial statements which gives an explanation of this new revenue recognition standard.

Very truly yours,

Karen A. Hahn

Karen Hahn
Certified Public Accountant

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

Wedgewood Manor Homeowners Association
Audited Financial Statements
Year Ended December 31, 2019

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenue, Expenses and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statement	6
SUPPLEMENTAL INFORMATION	11
Independent Auditor's Report on Supplementary Information	12
Restricted Funds and Replacement Funding Program	13



KAREN A. HAHN CPA, INC.

CERTIFIED PUBLIC ACCOUNTANT, CERTIFIED VALUATION ANALYST, MASTER OF SCIENCE IN TAXATION
500 EAST CALAVERAS BLVD. SUITE 333, MILPITAS, CA 95035
OFFICE: 408.263.8888 FAX: 408.263.8808 WWW.KHAHNCPA.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wedgewood Manor Homeowners Association

I have audited the accompanying financial statements of Wedgewood Manor Homeowners Association, which comprise the balance sheet as of December 31, 2019, and the related statements 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 control 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 from 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wedgewood Manor Homeowners Association as of December 31, 2019, 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.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary information on page 13. 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, 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 inquiries 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 and assurance.



Karen A. Hahn
Certified Public Accountant

Milpitas, California
March 2, 2020

Wedgewood Manor Homeowners Association
Balance Sheet
December 31, 2019

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash & Cash Equivalents	\$131,089	\$103,016	\$234,105
Investments	0	750,000	750,000
Assessments Receivable	681	0	681
Prepaid Expenses	2,352	0	2,352
Due From Reserve Fund	<u>3</u>	<u>0</u>	<u>3</u>
TOTAL ASSETS	<u><u>\$134,126</u></u>	<u><u>\$853,016</u></u>	<u><u>\$987,142</u></u>
LIABILITIES & FUND BALANCE			
Accounts Payable	\$7,416	\$0	\$7,416
Prepaid Income	28,392	0	28,392
Late Fees	96	0	96
Income Tax Payable	1,075	0	1,075
Insurance Payable	319	0	319
Due To Operating Fund	0	3	3
Contract Liabilities	<u>0</u>	<u>853,013</u>	<u>853,013</u>
(Assessments received in advance-replacement fund)			
TOTAL LIABILITIES	37,298	853,016	890,314
FUND BALANCE	<u>96,828</u>	<u>0</u>	<u>96,828</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$134,126</u></u>	<u><u>\$853,016</u></u>	<u><u>\$987,142</u></u>

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

See accompanying notes and auditor's report.

Wedgewood Manor Homeowners Association
Revenue, Expenses and Changes in Fund Balance
For Year Ended December 31, 2019

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUE:			
Assessments	\$376,060	\$45,614	\$421,674
Rental Income	2,100	0	2,100
Parking Income	2,000	0	2,000
Laundry Income	19,159	0	19,159
Insurance Claim Income	17,005	0	17,005
Interest Income	0	4,870	4,870
Miscellaneous Income	1,382	0	1,382
TOTAL REVENUE	417,706	50,485	468,191
EXPENSES:			
Accounting	1,800	0	1,800
Grounds, Facilities	167,653	50,485	218,137
Insurance	33,820	0	33,820
Legal	15,469	0	15,469
Management Fees	27,144	0	27,144
Miscellaneous	2,641	0	2,641
Office Expense	8,186	0	8,186
Provision for Income Taxes	1,376	0	1,376
Health Insurance/Other Benefits	9,916	0	9,916
Insurance Claims Related Expenses	27,395	0	27,395
Utilities	104,082	0	104,082
TOTAL EXPENSES	399,482	50,485	449,967
Excess Revenue over Expenses	18,224	0	18,224
BEGINNING FUND BALANCE	78,604	0	78,604
ENDING FUND BALANCE	\$96,828	\$0	\$96,828

See accompanying notes and auditor's report.

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

Wedgewood Manor Homeowners Association
Statement of Cash Flows
For Year Ended December 31, 2019

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
Cash Flow from Operating Activities			
Indirect Method:			
Excess Revenue over Expenses	\$18,224	\$0	\$18,224
Decrease (Increase) in Assessments Receivable	2,021	0	2,021
Decrease (Increase) in Prepaid Medical Insurance	9,916	0	9,916
Decrease (Increase) in Prepaid Income Tax	301	0	301
Decrease (Increase) in Prepaid Expenses	522	0	522
(Decrease) Increase in Accounts Payable	(372)	0	(372)
(Decrease) Increase in Prepaid Income	4,841	0	4,841
(Decrease) Increase in Late Fees	(129)	0	(129)
(Decrease) Increase in Income Tax Payable	1,075	0	1,075
(Decrease) Increase in Insurance Payable	(2,220)	0	(2,220)
(Decrease) Increase in Contract Liabilities (Assessments received in advance-replacement fund)	<u>0</u>	<u>154,386</u>	<u>154,386</u>
 Total Adjustments	 <u>15,954</u>	 <u>154,386</u>	 <u>170,341</u>
Total Cash Provided by Operations	34,178	154,386	188,565
Cash Flow (Used) Provided from Investment Activities:			
Increase in Investments	0	(750,000)	(750,000)
BEGINNING CASH	<u>96,911</u>	<u>698,630</u>	<u>795,541</u>
ENDING CASH	<u>\$131,089</u>	<u>\$103,016</u>	<u>\$234,105</u>

NOTE 1

The association made cash payments for income taxes of \$0 for the year ended December 31, 2019.

Wedgewood Manor Homeowners Association
Notes to Financial Statements
December 31, 2019

Note A: Organization and Significant Accounting Policies

Organization

The Association was incorporated on November 8, 1993 to provide for the orderly maintenance, preservation, and architectural control of the common areas within the development, which consists of 108 units located in Los Gatos, California.

The Association derives its authority and responsibilities from its Declaration of Covenants, Conditions and Restrictions. An elected Board of Directors makes most policy decisions and oversees daily operation, but major decisions are referred to the general association membership.

Membership in the Association is mandatory for homeowners. Each owner is obligated to pay annual assessments to the Association in support of its operations and purposes.

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 -- 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 future major repairs and replacements.

Member Assessments

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 the properties of owners whose assessments are thirty days or more delinquent. No allowance for uncollectible accounts is deemed necessary. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$2,702 and 681, respectively.

See Auditor's Report

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

Wedgewood Manor Homeowners Association
Notes to Financial Statements
December 31, 2019

Contract Liabilities (Assessments received in advance-replacement fund)

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 \$698,627 and \$853,013, respectively.

Interest Income

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

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2019, the Association was taxed as a homeowners corporation. As a homeowners corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates. Income tax for the year ended December 31, 2019 is \$0.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Capitalization Policy and Depreciation

The Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. This policy of non-capitalization is widely followed in the homeowners association industry as all beneficial rights of ownership belong to the unit owners and not to the Association.

Replacements and improvements to the real property are not capitalized for the same reasons described above. They are instead charged directly to either operating or restricted funds in the period they are incurred.

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 assets and liabilities at the December 31, 2019 of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See Auditor's Report

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

Wedgewood Manor Homeowners Association
Notes to Financial Statements
December 31, 2019

Statement of Cash Flow Information

For purposes of the Statement of Cash Flows, the Association considers all short-term investments with a maturity at December 31, 2019 of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Bad Debts

The Association uses the direct write-off method of recording bad debts. Although generally accepted accounting principles dictate the allowance method, the Association's minimal bad debt experience indicates the direct write-off method closely approximates the allowance method. The bad debts were zero for the year ended December 31, 2019.

Note B: Operating and Replacement Funds

The Association has placed funds in several different accounts as follows:

<u>ACCOUNT</u>	<u>BALANCE 12/31/19</u>	<u>TYPE OF ACCOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
<u>OPERATING FUND</u>				
Union Bank	\$131,089	Demand	none	
TOTAL	<u>\$131,089</u>			
<u>REPLACEMENT FUNDS</u>				
Union Bank	\$103,016	Money Market	0.40%	
TOTAL	<u>\$103,016</u>			
<u>INVESTMENT FUNDS</u>				
Texas Capital Bank	\$250,000	Cert. of Deposit	1.95%	9/08/20
The First National Bank	250,000	Cert. of Deposit	1.80%	3/05/20
Tristate Capital Bank	<u>250,000</u>	Cert. of Deposit	1.40%	3/17/20
TOTAL	<u>\$750,000</u>			

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2019 totaled approximately \$ 0.

Note C: Regular and Reserve Assessments

During the fiscal year ended December 31, 2019, regular annual assessments were payable to the Association in average monthly installments of \$444 per unit with each unit's assessment based on a combination of fixed and variable expenses. Total assessments were \$576,064.

The annual budget and owners' assessments are determined by the Board of Directors and the homeowners. Annual budgets are approved and assessments are divided between the operating fund to meet normal operating costs and contributions to the replacement funding program.

See Auditor's Report

Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

Wedgewood Manor Homeowners Association
Notes to Financial Statements
December 31, 2019

Note C: Regular and Reserve Assessments (cont.)

During the fiscal year ended December 31, 2019, a total of \$200,000 was budgeted to be placed in the restricted fund. \$200,000 was actually transferred to reserve cash.

Delinquent assessments may be secured by a lien on the property against which the assessments are made, and the Association has the power to foreclose the property of any owner who fails to pay assessments.

It is the association's policy that any excess operating funds at the end of a fiscal year be applied to the following year's operating budget.

Note D: Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated cash funds, which aggregate approximately \$853,016 at December 31, 2019, are held in separate accounts and are generally not available for operating purposes.

The funding program was based on a study performed by SMA Reserves on October 12, 2019 for the period beginning January 1, 2020, to estimate the remaining useful lives and the replacement costs of the common property components.

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 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 additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note E: Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 2, 2020, the date that the financial statements were available to be issued.

Note F: Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, certificates of deposit, accounts receivable, and accounts payable approximate their fair value due to the short term maturities of these instruments.

Note G: Insurance Claim

The Association received an insurance claim in the amount of \$17,005, which was used for damages caused by a backed up sink resulting in a flooded kitchen.

Wedgewood Manor Homeowners Association
Notes to Financial Statements
December 31, 2019

Note H-FASB ASC606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate-Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transmitted to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2019.

Fund balance, as previously reported, at January 1, 2019	\$ 777,231
Adjustments	<u>(698,627)</u>
Fund balance, as adjusted, at January 1, 2019	<u>\$ 78,604</u>

The effect of the adoption is a decrease in 2019 assessments by \$154,386 and a recording of a contract liability (assessments received in advance-replacement fund at December 31, 2019, of \$853,013. The Association has no customer contract modifications that had an effect on the association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under former guidance, the effects of applying the new guidance, and the balances reported under the new guidance.

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	Reported
<u>LIABILITIES</u>			
Contract Liabilities (Assessments received in advance-replacement reserve)	\$0	\$853,013	\$853,013
Total Liabilities	<u>\$37,300</u>	<u>\$853,013</u>	<u>\$890,314</u>
<u>FUND BALANCE</u>			
Ending Fund Balances	\$949,841	(\$853,013)	\$96,828
<u>REVENUE</u>			
Regular Assessments	<u>\$576,060</u>	<u>(\$154,386)</u>	<u>\$421,674</u>
Excess of revenues over expenses	\$172,610	(\$154,386)	\$18,224
<u>CASH FLOWS</u>			
Excess of revenues over expenses	\$172,610	(\$154,386)	\$18,224
Increase in contract liabilities (Assessments received in advance-replacement reserve)	\$0	\$154,386	\$154,386

See Accountant's Report

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

SUPPLEMENTAL INFORMATION

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

**KAREN A. HAHN CPA, INC.**

CERTIFIED PUBLIC ACCOUNTANT, CERTIFIED VALUATION ANALYST, MASTER OF SCIENCE IN TAXATION
500 EAST CALAVERAS BLVD. SUITE 333, MILPITAS, CA 95035
OFFICE: 408.263.8888 FAX: 408.263.8808 WWW.KHAHNCPA.COM

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors and Members
Wedgewood Manor Homeowners Association

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require supplementary information on future major repairs and replacements on page 13 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, 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. I 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Karen A. Hahn
Certified Public Accountant

Milpitas, California
March 2, 2020

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

Wedgewood Manor Homeowners Association
Supplementary Information on Future Major Repairs & Replacements
December 31, 2019
(unaudited)

The Association's board of directors had a study performed by SMA Reserves for the period beginning January 1, 2020 to estimate the remaining useful lives and the replacement cost of the components of common property. Replacement costs were based on the most probable component replacement costs and remaining useful lives as taken from industry resources. An inflation rate of 3.0% and an interest rate of 3.0% was assumed.

COMPONENT	USEFUL LIFE	REMAINING LIFE	REPLACEMENT COSTS
Common Area Furnishings	15-25 yrs.	0-16 yrs.	\$14,170
Doors	25 yrs.	0 yrs.	123,379
Exterior Surfaces, Stucco	10 yrs.	0 yrs.	209,296
Exterior Surfaces, Wood Siding/Trim, Paint	5 yrs.	0 yrs.	77,322
Exterior Surfaces, Wood Siding/Trim, Repair	10 yrs.	0 yrs.	67,216
Interior Furnishings	10-25 yrs.	0-16 yrs.	94,384
Interior Surfaces	10-40 yrs.	1-31 yrs.	113,780
Misc. Building Systems	5-15 yrs.	4-14 yrs.	165,900
Roofing, Built-Up	3-20 yrs.	0-8 yrs.	935,248
Roofing, Downspouts & Gutters	25 yrs.	5-6 yrs.	63,143
Walkways, Recoat	5 yrs.	0 yrs.	42,923
Walkways, Repair	30 yrs.	0-20 yrs.	601,406
Walkways, Resurface	15 yrs.	5 yrs.	154,684
Wrought Iron	5 yrs.	0 yrs.	17,821
Elevator	20-40 yrs.	2-21 yrs.	802,041
Fire & Alarm Systems	15 yrs.	13 yrs.	11,028
HVAC	20 yrs.	0-9 yrs.	33,418
Lighting, Exterior Entry	25 yrs.	0 yrs.	27,066
Lighting, Exterior Wall Mount	15-25 yrs.	0-14 yrs.	19,548
Lighting, Interior	25 yrs.	0-23 yrs.	16,493
Misc. Mechanical/Electrical Systems	10-45 yrs.	0-2 yrs.	294,639
Plumbing	10-45 yrs.	0-41 yrs.	1,263,095
Fencing	15-30 yrs.	4-11 yrs.	43,151
Landscape	5-25 yrs.	0-4 yrs.	20,569
Misc. Site Systems	5-30 yrs.	0-11 yrs.	26,915
Pavement	5-25 yrs.	4-6 yrs.	173,395
Reserve Study	3 yrs.	0 yrs.	3,008
Total			<u>\$5,415,038</u>

Order: F43Q5JHRG
Address: 14225 Lora Dr Apt 75
Order Date: 07-08-2020
Document not for resale
HomeWiseDocs

See Auditor's Report