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MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

Draft

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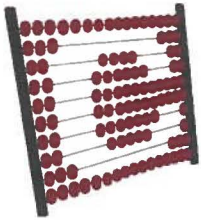
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C H E N
ACCOUNTING GROUP, CPA
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION:

Opinion

We have audited the financial statements of MONTEREY GRAND MANOR HOMEOWNERS' ASSOCIATION, which comprise the balance sheets as of December 31, 2021, and the related statement of revenues, expenses and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 MONTEREY GRAND MANOR HOMEOWNERS' ASSOCIATION's ability to continue as a going concern for a reasonable period of time.

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 GAAS 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 GAAS, we:

- Exercise professional judgment 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 MONTEREY GRAND MANOR HOMEOWNERS' ASSOCIATION'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MONTEREY GRAND MANOR HOMEOWNERS' ASSOCIATION'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.

Chen Accounting Group, Ltd.
Las Vegas, NV
December 28, 2022

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
BALANCE SHEET
AS OF DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Totals 2021
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 32,366	\$ 53,809	\$ 86,175
Assessment receivable Net, allowance for doubtful accounts of \$12,000	21,265	-	21,265
Other current assets	2,426	-	2,426
Total current assets	56,057	53,809	109,866
Total assets	56,057	53,809	109,866
<u>LIABILITIES AND FUND BALANCES</u>			
CURRENT LIABILITIES			
Prepaid assessments	14,041	-	14,041
Contract Liabilities	-	53,809	53,809
Total current liabilities	14,041	53,809	67,850
FUND BALANCES	42,016	-	42,016
Total liabilities and fund balances	\$ 56,057	\$ 53,809	\$ 109,866

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this balance sheet.

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Totals 2021
REVENUE			
Member Assessments	\$ 290,955	\$ 38,970	\$ 329,925
Late Fees, Violations and Fines	3,668	-	3,668
Insurance Reimbursement	132,397	-	132,397
Interest Income	4,477	-	4,477
Reserve Income-Contra	-	6,030	6,030
Other Income	350	-	350
Total revenue	<u>431,847</u>	<u>45,000</u>	<u>476,847</u>
EXPENSES			
Insurance	42,264	-	42,264
Electricity, telephone, gas	11,260	-	11,260
Water and Sewer	72,343	-	72,343
Landscaping	37,830	-	37,830
Management Fees	19,386	-	19,386
Legal and Accounting	2,545	-	2,545
Postage, Copies and Supplies	3,224	-	3,224
Bad Debt Expense	12,000	-	12,000
Repairs and Maintenance	203,558	45,000	248,558
Bank Service Charge	765	-	765
Miscellaneous	1,891	-	1,891
Total expense	<u>407,066</u>	<u>45,000</u>	<u>452,066</u>
EXCESS OF REVENUE OVER EXPENSES	24,781	-	24,781
BEGINNING FUND BALANCES	<u>17,235</u>	<u>-</u>	<u>17,235</u>
ENDING FUND BALANCES	<u>\$ 42,016</u>	<u>\$ -</u>	<u>\$ 42,016</u>

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this statement of revenue, expenses and changes in fund balances.

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Totals 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess revenue over expenses	\$ 24,781	\$ -	\$ 24,781
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:			
Bad Debt Expense	12,000	-	12,000
(Increase) decrease in:			
Assessments receivable	(33,265)	-	(33,265)
Increase (decrease) in:			
Prepaid assessments	14,041	-	14,041
Contract liabilities	-	(6,030)	(6,030)
Net cash provided by/(used in) operating activities	15,131	(6,030)	9,101
NET INCREASE/(DECREASE) IN CASH	15,131	(6,030)	9,101
TOTAL CASH			
Beginning of year	17,235	59,839	77,074
End of year	\$ 32,366	\$ 53,809	\$ 86,175

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this statement of cash flows.

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - NATURE OF ORGANIZATION

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION (“the Association”) was incorporated on July 26, 1972. The Association is a non-profit Nevada Corporation whose purpose is to provide maintenance, improvements, and preservation of common areas of the Association. At December 31, 2021, the Association consisted of approximately 195 residential units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting, which requires that funds, such as funds designated for operating activities and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally made in accordance with the annual budget, or as approved by the Board of Directors. Disbursements from the replacement fund may only be made for their designated purpose. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purposes:

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.

Accounting Methods

The company uses the accrual method of accounting. This specifically includes recording of revenues when earned and expenses when incurred, with the primary goal being to match the expenses to the revenues they produced in the proper time period.

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Property and Equipment

Real property and common areas annexed by the Association from the developer are not capitalized on the Association financial statements. At December 31, 2021, the common areas of the Association consisted of streets, gates, streetlights, signs and various landscaping. Such property provides no probable future economic benefit to the Association and such ownership is only a legal formality that has no effect on the financial position of the Association. Replacements and improvements to the real property and common areas are also not capitalized.

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (are) recorded when the association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$59,839 and \$53,809, respectively.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represent assessments due from homeowners.

The Association's policy is to utilize the services of an outside collection agency on the properties of homeowners whose assessments are sixty days or more delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year. The Association utilizes the allowance method for providing doubtful accounts. Member assessment income is derived from each homeowner in the Association and is billed and collected on a monthly basis. The Company estimated the allowance based on an analysis of individual homeowners, taking into consideration the age of past due accounts. The allowance for doubtful accounts was \$12,000 at December 31, 2021.

Federal Income Taxes

For 2021, the Association has elected to file as a homeowners' association in accordance with Internal Revenue Section 528. Under that section, the Association excludes from taxable income exempt function income, which generally consists of revenue from uniform assessments to members. Net non-exempt function income and earned interest is taxable at 30%. There was no Federal Income Tax due as of December 31, 2021.

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - CASH

Cash at December 31, 2021, as represented on the balance sheet is detailed as follow:

	Operating Fund	Reserve Fund	Total
Monterey Grand Manor - Operating	\$ 31,841	\$ -	\$ 31,841
Monterey Grand Manor - Pending EFTs	525	-	525
Monterey Grand Manor - Reserve	-	53,809	53,809
Total	\$ 32,366	\$ 53,809	\$ 86,175

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

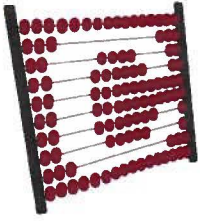
The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$53,809, and are presented on the accompanying balance sheet as a contract liability (assessments received in advance-replacement fund) at December 31, 2021, are held in separate accounts and are generally not available for operating purposes.

The Association had a reserve study completed in January 2021, to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components, based on the study's estimates of current replacement costs. Since the actual expenditures may vary from the estimated amounts (variations may be material), the balance of the replacement fund and current regular assessments may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the monthly assessments, levy special assessments, or delay replacement until funds are available. It is customary for an association to have a replacement-funding program. The funds are usually held in separate savings accounts to be used for replacement of common areas only and not in the course of normal operations.

The scope of this review did not include testing the adequacy of the replacement fund. The replacement fund amounts, presented as Supplementary Information, are management's representations based on assumptions and projections of estimated replacement costs, estimated remaining lives and present conditions.

SUPPLEMENTARY INFORMATION

Draft



C H E N
ACCOUNTING GROUP, CPA
Certified Public Accountants

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

To the Board of Directors and Members of
MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION:

The Supplementary Information on Schedule of Operating Fund Revenues and Expenses – Budget and Actual on page 7 is not a required part of the basic financial statements of MONTEREY GRAND MANOR HOMEOWNERS' ASSOCIATION, 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.

The Supplementary Information on Future Major Repairs and Replacements on page 8 and 9 is not a required part of the basic financial statements of MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION 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.

Chen Accounting Group, Ltd
Las Vegas, NV
December 28, 2022

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES - ACTUAL VERSUS BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
Member assessments	\$ 329,925	\$ 294,000	\$ 35,925
Insurance Reimbursement	132,397	-	132,397
Late fees, violations and fines	3,668	600	3,068
Reserve Income-Contra	6,030	-	6,030
Interest Income	4,477	300	4,177
Other income	350	150	200
Total revenues	476,847	295,050	181,797
EXPENSES			
Insurance	42,264	36,000	(6,264)
Electricity, telephone, gas	11,260	13,640	2,380
Water and Sewer	72,343	56,540	(15,803)
Reserve Study	-	44,315	44,315
Landscaping	37,830	25,400	(12,430)
Management Fees	19,386	19,200	(186)
Legal and Accounting	2,545	5,125	2,580
Postage, Copies and Supplies	3,224	34,165	30,941
Repairs and Maintenance	248,558	91,524	(157,034)
Miscellaneous	1,891	220	(1,671)
Total expenses	452,066	326,129	(125,937)
Excess (Deficiency) Of Revenues Over Expenses	24,781	(31,079)	55,860

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this supplementary information.

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2021
(UNAUDITED)

The Association's board of directors conducted a study in January 2021 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 replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Components	Estimated Remaining Useful Life (Years)	Estimated Future Replacement Cost
Common Element Components		
1 Buildings Exterior Surface, 35 Buildings, paint	5	159,600
2 Buildings, Tile Roof underlayment, repair/replace	10	7,344
3 Buildings, Roof Flat - Foam w/Elastomeric, remove/replace	6	369,600
4 Buildings, Roof Flat - Foam w/Elastomeric, recoat	1	123,200
5 Buildings, Roof Asphalt Shingle Mansards, repair/replace	5	64,638
6 Buildings Stair Railings, repair/replace	8	63,000
7 Building Stair Railings, paint	2	7,000
8 Building Concrete Stair Treads, repair/replace	2	8,645
9 Building Lighting, repair/replace	5	10,800
10 Building Signage, repair/replace	1	14,000
Swimming Pool & Spa Facilities		
11 Swimming Pool, Interior Surface & Tile, replace	1	10,140
12 Swimming Pool Filter, repair/replace	1	3,100
13 Swimming Pool Heater, repair/replace	1	2,850
14 Swimming Pool Pump & Motor, replace	1	1,500
15 Spa, Interior Surface & Tile, replace	1	1,400
16 Spa Filter, repair/replace	1	1,850
17 Spa Heater, repair/replace	1	2,350
18 Spa Pumps & Motor, replace	1	2,000
19 Pool Area Furnishing, repair/replace	1	700
20 Pool Area Drinking Fountain, repair/replace	1	175
21 Barbeque Grills, repair/replace	0	1,400
22 Pool Area Block Wall w/Metal Fence, repair/replace	4	15,895
23 Pool Area Block Wall w/Metal Fence, paint	2	1,309
24 Pool Area Decking, repair/resurface	4	36,056
Clubhouse & Bath House		
25 Clubhouse & Bath House Exterior Surface, paint	5	1,920
26 Clubhouse, Roof Flat - Foam w/Elastomeric, remove/replace	15	5,100
27 Clubhouse, Roof Flat - Foam w/Elastomeric, recoat	1	3,060
28 Clubhouse, Roof Asphalt Shingle Mansards, repair/replace	4	974
29 Club House Interior, renovation	1	8,200
30 Surveillance System, repair/replace	1	8,000.00
31 Clubhouse Restroom & Shower, renovation	1	1,800.00
32 Clubhouse Water Heater, repair/replace	1	950
33 Clubhouse Furnishing, repair/replace	1	3,100
34 Clubhouse HVAC Unit, repair/replace	1	8,400
Tennis Area Park		
35 Park Area Furnishing, repair/replace	1	1,800
36 Park Area Chain Link Fence w/Mesh, repair/replace	4	15,120.00
37 Park Area Lighting, repair/replace	3	9,000.00

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this supplementary information.

MONTEREY GRAND MANOR HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2021
(UNAUDITED)

Other Common Components		
38 Asphalt Overlay, 1.5" with raised UAC	6	130,364
39 Asphalt Slurry Seal Coat, Crack Fill	1	15,980
40 Asphalt, patching/repair	1	4,205
41 Concrete "L" Curbing, repair/replace	1	8,341
42 Concrete "L" Curbing, Paint	1	1,360
43 Concrete Sidewalks, repair/replace	1	20,808
44 Mail Boxes Units Pedestal, w/Parcel Boxes, repair/replace	10	19,710
45 Perimeter Block Wall, repair/replace	2	29,226
46 Common Area Street Pole Lighting Fixtures, replace	10	22,500
47 Flag & Flag Pole, repair/replace	0	1,000
48 Maintenance Shed, repair/replace	0	-
49 Metal Signage Archway, repair/replace	4	4,000
50 Interior and Perimeter Landscape & Irrigation, renovation	1	136,557
51 Circuit Breaker Boxes, repair/replace	1	2,250
52 Back Flow Preventers, repair/replace	1	3,000
53 Unit Shut Off Valves, repair/replace	5	57,600
54 Full 5 Year Reserve Study, filed inventory & report	0	1,975
Total		<u><u>\$ 1,434,852</u></u>

The accompanying independent auditor's report and notes to financial statements should be read in conjunction with this supplementary information.

MONTEREY GRAND MANOR HOMEOWNERS' ASSOCIATION
2021 YE Audit

AJE 1

Close prior year equity

Dr	Beginning Fund Balances	59,839	
	Cr	Contract Liability	59,839

AJE 2

Reclass current year's reserve net loss

Dr	Reserve Income Contra	6,030	
	Cr	Contract Liability	6,030

AJE 3

Adjust operating transfer

Dr	Member assessments	3,970	
	Cr	Interfund Transfer-reserve	3,970

AJE 4

To record AR Allowance

Dr	Bad Debt Expenses	12,000	
	Cr.	AR Allowance	12,000

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