

**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**



**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
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**For the Year Ended December 31, 2014**

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2131 Palomar Airport Road, Suite 328, Carlsbad, CA 92011  
7545 Irvine Center Drive, Suite 200, Irvine, CA 92618

## Independent Auditor's Report

To the Board of Directors of Coronado Shores Condominium Association No. 9

We have audited the accompanying financial statements of Coronado Shores Condominium Association No. 9 (the "Association"), which comprise the balance sheet as of December 31, 2014, 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.

### *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*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coronado Shores Condominium Association No. 9 as of December 31, 2014, and 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.

### *Disclaimer of Opinion of Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Repairs and Replacements on page 8 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 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 any assurance.

*Newman & Associates, Inc*

**Newman and Associates, Inc.**  
**An Accountancy Corporation**  
Carlsbad, California  
February 16, 2015

**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**BALANCE SHEET**  
**December 31, 2014**

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	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 412,751	\$ 451,695	\$ 864,446
Investments		695,000	695,000
Assessments receivable	11,425		11,425
Allowance for doubtful accounts	(2,002)		(2,002)
Interest receivable		1,244	1,244
Prepaid insurance	11,598		11,598
Prepaid income taxes	129		129
<b>Total Assets</b>	<b>\$ 433,901</b>	<b>\$ 1,147,939</b>	<b>\$ 1,581,840</b>
<b>Liabilities</b>			
Accounts payable	\$ 21,868	\$ -	\$ 21,868
Accrued expenses	7,300		7,300
Prepaid assessments	25,143		25,143
Deposits	4,000		4,000
Income taxes payable	156		156
<b>Total liabilities</b>	<b>58,467</b>	<b>-</b>	<b>58,467</b>
<b>Fund balances</b>	<b>375,434</b>	<b>1,147,939</b>	<b>1,523,373</b>
<b>Total liabilities and fund balances</b>	<b>\$ 433,901</b>	<b>\$ 1,147,939</b>	<b>\$ 1,581,840</b>

**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**STATEMENT OF REVENUES AND EXPENSES AND**  
**CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2014**

	Operating Fund	Replacement Fund	Total
<b>Revenues</b>			
Owners' assessments	\$ 1,192,602	\$ 225,148	\$ 1,417,750
Interest		7,656	7,656
Other member income	38,504		38,504
<b>Total revenues</b>	<u>1,231,106</u>	<u>232,804</u>	<u>1,463,910</u>
<b>Expenses</b>			
Utilities			
Electricity and gas	118,358		118,358
Water and sewer	37,953		37,953
Trash removal	5,929		5,929
Telephone and satellite	88,462		88,462
	<u>250,702</u>	-	<u>250,702</u>
Maintenance			
Landscape and recreation	217,027		217,027
Common area repairs and maintenance	46,342		46,342
Plumbing	2,898		2,898
Building engineer	79,971		79,971
Building manager	69,679		69,679
Door people	153,243		153,243
Housekeeping	60,960		60,960
Window washing	21,200		21,200
Pest control	708		708
Janitorial	4,211		4,211
Parking control services	1,226		1,226
Elevator	15,180		15,180
Access gate	413		413
Fire alarm system	8,946		8,946
	<u>682,004</u>	-	<u>682,004</u>
Administrative			
Insurance	104,273		104,273
Management	30,000		30,000
Administrative expense	13,530		13,530
Legal and professional	10,433		10,433
Licenses and permits	1,874		1,874
Income tax expense	2,199		2,199
Payroll tax	34,939		34,939
Bad debt expense (recoveries)	2,002		2,002
	<u>199,250</u>	-	<u>199,250</u>
Major repairs and replacements		182,553	182,553
<b>Total expenses</b>	<u>1,131,956</u>	<u>182,553</u>	<u>1,314,509</u>
<b>Excess(deficit) of revenues over(under) expenses</b>	99,150	50,251	149,401
<b>Beginning fund balances</b>	499,671	874,301	1,373,972
Interfund transfers, net	(223,387)	223,387	-
<b>Ending fund balances</b>	<u>\$ 375,434</u>	<u>\$ 1,147,939</u>	<u>\$ 1,523,373</u>

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

**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess(deficit) of revenues over(under) expenses	\$ 99,150	\$ 50,251	\$ 149,401
Adjustments to reconcile excess(deficit) of revenues over(under) expenses to net cash provided(used) by operating activities			
Assessments receivable	19,573	-	19,573
Allowance for doubtful accounts	2,002	-	2,002
Interest receivable	-	(296)	(296)
Prepaid insurance	(5,302)	-	(5,302)
Prepaid income taxes	535	-	535
Accounts payable	(3,047)	-	(3,047)
Accrued expenses	4,232	-	4,232
Prepaid assessments	(11,141)	-	(11,141)
Deposits	(5,050)	-	(5,050)
Income taxes payable	(951)	-	(951)
Net cash provided(used) by operating activities	<u>851</u>	<u>(296)</u>	<u>555</u>
Cash provided(used) by investing activities:			
Change in investments, net	260,000	(528)	259,472
Net cash flows from investing activities	<u>260,000</u>	<u>(528)</u>	<u>259,472</u>
Cash provided(used) by financing activities:			
Interfund transfers, net	(223,387)	223,387	-
Interfund borrowings, net	(36,613)	36,613	-
Net cash flows from financing activities	<u>(260,000)</u>	<u>260,000</u>	<u>-</u>
Net increase(decrease) in cash	100,001	309,427	409,428
Cash at beginning of year	312,750	142,268	455,018
Cash at end of year	<u>\$ 412,751</u>	<u>\$ 451,695</u>	<u>\$ 864,446</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			<u>\$ 1,500</u>
Interest paid			<u>\$ -</u>

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

**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

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**1. Organization**

Coronado Shores Condominium Association No. 9 (the "Association") was incorporated on May 16, 1977 as a mutual benefit corporation under the laws of California, for the purposes of maintaining and preserving common property. The Association consists of 148 residential units, and is located in Coronado, California.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Association maintains its financial records on the modified accrual basis of accounting, which recognizes revenues when earned and expenses when paid. Adjustments at the end of the fiscal year result in these financial statements being presented on the full accrual basis of accounting.

**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 revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

**Fund Accounting**

The Association uses fund 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. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund require signatures from the board of directors or officers as specified by California Civil Code, and generally may be made only for designated purposes.

**Investment Income**

The board's policy is to account for interest income in the fund in which it is earned. The Association pays related income taxes from the operating fund.

**Capital Assets and Depreciation Policy**

The Association has not capitalized real and personal common area property contributed by the developer. Replacements and improvements to real property are also not capitalized; rather, they are charged to the respective fund in the period the cost is incurred.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include the Association's cash, checking accounts and money market funds. The Association considers all of its certificates of deposit and investment accounts to be investments.

**Subsequent Events**

Subsequent events have been evaluated through February 16, 2015, which is the date the financial statements were available to be issued.

**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

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**3. Assessments and Assessments Receivable**

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 represent fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments and fees, including filing of liens on an owner's unit, foreclosing on a unit owner, and obtaining a legal judgment on an owner's other assets. Any excess operating funds are retained at the end of the fiscal year for use in future periods. The Association recorded an allowance for uncollectible assessments.

**4. 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 expenditures for normal operations.

The board of directors conducted a study in 2014 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 not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available.

Replacement fund expenditures were as follows:

Contingency	\$ 85,000
Mechanical/Plumbing	39,589
Interior Contents	22,543
Landscape	14,656
Fire/Safety	13,599
Elevators	7,166
	<u>\$ 182,553</u>



**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

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**5. Income Taxes**

The Association elected to file its Federal income tax returns as a homeowners' association under Internal Revenue Code Section 528. For its California income tax return, the Association qualifies for tax exempt status as a homeowners' association under California Revenue and Taxation code section 23701(t). For both Federal and California returns, the Association is generally taxed on income not related to membership dues and assessments, such as interest income and non-member income. 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.

**CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 9**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
**For the Year Ended December 31, 2014**  
**(Unaudited)**

The Association's board of directors, in conjunction with a reserve study expert, conducted a study in 2014 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 on the date of the study.

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

Study Component	Estimated remaining useful lives	Estimated current replacement costs	Study recommended annual funding requirement	Study recommended fund balance
Elevators	2-23	\$ 452,065	\$ 14,446	\$ 188,905
Fire and safety	4-23	436,435	15,667	117,153
Interior contents	1-14	1,293,690	68,002	1,201,010
Lighting and electrical	6-18	50,675	2,805	12,257
Mechanical and plumbing	0-23	544,595	42,404	357,158
Miscellaneous	4	15,450	1,030	11,330
Painting	0	131,265	13,126	131,265
Painting and repairs	2-24	543,480	36,620	272,765
Railings and security	0-17	129,165	9,211	81,466
Roofing and deck	2-8	170,865	13,978	85,844
		<u>\$ 3,767,685</u>	<u>\$ 217,289</u>	<u>\$ 2,459,153</u>
<b>Replacement fund balance at December 31, 2014</b>				<u>\$ 1,147,939</u>
Other Assumptions:				
Interest rate				<u>Not provided</u>
Inflation rate				<u>Not provided</u>