

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

YEARS ENDED DECEMBER 31, 2015 AND 2014

**LEVY, ERLANGER & COMPANY
Certified Public Accountants
San Francisco, California**

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**CONTENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>Page(s)</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1 - 2
BALANCE SHEETS	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES	4 - 5
STATEMENTS OF CASH FLOWS	6 - 7
NOTES TO FINANCIAL STATEMENTS	8 - 12
SUPPLEMENTARY INFORMATION	
Supplementary Information On Future Major Repairs And Replacements At December 31, 2015	13 - 14

LEVY, ERLANGER & COMPANY
Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board Of Directors
College Park Master Homeowners Association
San Jose, California

We have reviewed the accompanying financial statements of **College Park Master Homeowners Association** (the Association) which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in fund balances and cash flows, for the years then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatements.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Future Major Repairs and Replacements

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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 not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Levy, Erlanger & Company

March 4, 2016

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**BALANCE SHEETS
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>			<u>2014</u>
	<u>Operations</u>	<u>Replacement</u>	<u>Total</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents (Note 2)	\$ 9,629	\$ 22,380	\$ 32,009	\$ 50,536
Investment in certificates of deposit (Note 2)		75,200	75,200	75,074
Prepaid insurance	835		835	937
Other assets	192		192	
	<u>10,656</u>	<u>97,580</u>	<u>108,236</u>	<u>126,547</u>
Total assets	<u>\$ 10,656</u>	<u>\$ 97,580</u>	<u>\$ 108,236</u>	<u>\$ 126,547</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ -	\$ 3,374
Accounts payable	2,158		2,158	1,246
Due to (due from) other fund	6,499	(6,499)		
Future major repairs and replacements (Note 3)	-	-	-	-
	<u>8,657</u>	<u>(6,499)</u>	<u>2,158</u>	<u>4,620</u>
Total liabilities	<u>8,657</u>	<u>(6,499)</u>	<u>2,158</u>	<u>4,620</u>
COMMITMENTS (NOTE 4)				
	-	-	-	-
FUND BALANCE (DEFICIT)				
	<u>1,999</u>	<u>104,079</u>	<u>106,078</u>	<u>121,927</u>
Total liabilities and fund balance	<u>\$ 10,656</u>	<u>\$ 97,580</u>	<u>\$ 108,236</u>	<u>\$ 126,547</u>

See independent accountants' review report and accompanying notes.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments	\$ 53,854	\$ 15,600	\$ 69,454	\$ 66,730
Interest income (Note 2)		132	132	82
Expense reimbursements				3,206
Total revenues	53,854	15,732	69,586	70,018
EXPENSES				
<u>Administration</u>				
Insurance	3,442	-	3,442	3,472
Legal, accounting and consulting	3,254		3,254	4,120
Management	12,864		12,864	12,420
Office, printing and postage	1,556		1,556	1,929
Reserve study	375		375	375
	21,491	-	21,491	22,316
<u>Maintenance and operations</u>				
Landscape maintenance	23,750	-	23,750	23,628
Lighting and light bulbs	2,000		2,000	1,574
Plumbing maintenance	3,300		3,300	
Other maintenance and operations	1,185		1,185	2,746
	30,235	-	30,235	27,948
<u>Utilities</u>				
Gas and electricity	3,780	-	3,780	3,570
Water and sewer	6,390		6,390	5,650
	10,170	-	10,170	9,220

See independent accountants' review report and accompanying notes.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Major repairs and replacements</u>				
Landscaping, trees and irrigation	\$ -	\$ 14,561	\$ 14,561	\$ -
Paving and concrete		8,978	8,978	2,228
	-	23,539	23,539	2,228
Total expenses	61,896	23,539	85,435	61,712
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(8,042)	(7,807)	(15,849)	8,306
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	19,648	(19,648)	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(9,607)	131,534	121,927	113,621
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 1,999</u>	<u>\$ 104,079</u>	<u>\$ 106,078</u>	<u>\$ 121,927</u>

See independent accountants' review report and accompanying notes.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>		<u>2014</u>
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (8,042)	\$ (7,807)	\$ (15,849)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Decrease (increase) in assets:			
Due from College Park Lofts	-	-	2,574
Other assets	(192)		(192)
Prepaid insurance	102		(216)
Increase (decrease) in liabilities:			
Bank overdraft	(3,374)		3,374
Accounts payable	912		(1,073)
Due to (due from) other fund	575	(575)	
Total adjustments	(1,977)	(575)	4,659
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(10,019)	(8,382)	12,965
INVESTING ACTIVITIES			
Net (purchase) sale of certificates of deposit	-	(126)	(74)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	(126)	(74)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,019)	(8,508)	12,891
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	19,648	(19,648)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	50,536	37,645
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,629	\$ 22,380	\$ 50,536

See independent accountants' review report and accompanying notes.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		2014
	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<u>Supplemental Disclosures</u>			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent accountants' review report and accompanying notes.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014

1. THE ASSOCIATION

College Park Master Homeowners Association (the Association) is a common interest development located in San Jose, California which consists of 2 residential sub-Associations (College Park Lofts Association (32 residential units) and College Park Townhomes Association (34 residential units)) and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in January 2002 to provide for management, maintenance and architectural control of the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to annual assessments, usually payable in equal monthly installments, to provide funds for operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board Of Directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

See independent accountants' review report.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents. For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Concentrations of credit risk. 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, 2015 totaled approximately \$-0-.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the 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 two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent accountants' review report.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at graduated rates from 15% to 39% on net nonmember income; in the latter case it is taxed on net nonexempt function income (which is generally similar to net nonmember income) at a flat 30% rate. California income taxes approximate 9% of taxable income.

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.

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds.

Investments consist of federally-insured certificates of deposit stated at cost which approximates market value.

Membership in the Association is mandatory by virtue of unit ownership.

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

See independent accountants' review report.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

See independent accountants' review report.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

4. COMMITMENTS

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

5. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 4, 2016, the date that the financial statements were available to be issued.

See independent accountants' review report.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015
(COMPILED WITHOUT AUDIT OR REVIEW)**

The following information on common area major components was compiled by Associa Reserves of Campbell, California as of **November 2015** and has served as the basis for the current estimates of replacement reserve funding:

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
ROADS - College Park Only				
1 Asphalt Sealing	0	5	7,083	7,083
2 Asphalt Repair Allowance	0	5	3,675	3,675
3 Asphalt Replacement	37	50	202,766	62,719
ASPHALT STRIPING - College Park Only				
4 Lineal Feet of White Striping	0	5	532	532
5 College Park Designations	0	5	646	646
6 No Dumping Curb Paint	0	5	252	252
7 Handicap Symbols	0	5	84	84
8 Stop Designations	0	5	11	11
CONCRETE				
9 Concrete Repair Allowance	0	6	1,050	1,050
10 Paver Resetting Allowance	0	7	1,050	1,050
11 Install Speed Humps	27	30	6,300	630
FENCING				
12 Iron at Property Line	27	40	9,293	3,020
13 Concrete at Property Line - Repair Allowance	0	12	1,575	1,575
SITE LIGHTING				
14 Bollard Lights	12	25	9,975	6,187
15 Directory Sign Light	6	10	105	42
IRRIGATION AND LANDSCAPING				
16 Irrigation Controller (Install Smart Controller)	0	15	3,780	3,780
17 Submit Irrigation Upgrade Plan for Permit	2	30	2,100	1,960
18 Irrigation Distribution System Renovate/Remod	3	30	4,200	3,780
19 Backflow Preventer	7	20	3,413	2,218
20 Backflow Preventer Cage	27	40	1,050	341
21 Irrigation System Repair Allowance	0	1	1,050	1,050
22 Tree Care Allowance	0	2	1,575	1,575
23 Planting Replacement Allowance	4	5	15,293	3,059
24 Mulch	1	5	2,100	1,680
SIGNAGE				
25 Directory Sign	7	20	1,575	1,024
26 Street Signs	12	25	473	246
27 Street Sign Poles	37	50	3,150	819
28 No Stopping Fire Lane Signs	12	25	1,260	665
29 Stop Signs	12	25	420	218
30 Parking By Permit Only Signs	12	25	630	328
31 Not A Through Street Sign	12	25	420	218
SITE GATE				
32 Tile Roof - Replace	42	50	613	98
33 Tile Roof - Repaper	17	25	383	123

See independent accountants' review report and accompanying notes.

COLLEGE PARK MASTER HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015
(COMPILED WITHOUT AUDIT OR REVIEW)**

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
34 Gutters	12	25	168	87
35 Downspouts	12	25	162	84
36 Round Recessed Light	12	25	184	96
PAINTING				
37 Paint Iron Fence	2	6	805	537
38 Paint Concrete Fence	0	12	3,481	3,481
39 Paint Sign Poles	2	6	315	210
40 Paint Fire Hydrants	2	6	158	105
41 Paint Bollard Lights	2	6	998	665
42 Paint Site Gate	2	6	2,174	1,449
COMMON DRIVE (Shared with Legacy) COMPONENTS				
43 Asphalt Sealing	0	5	6,413	6,413
44 Asphalt Repair Allowance	0	5	3,675	3,675
45 Asphalt Replacement	37	50	167,616	43,580
46 Speed Bumps	37	50	1,575	410
47 Lineal Feet of White Striping	0	5	63	63
48 Red Curb Paint	0	5	344	344
49 Stop Designations	0	5	11	11
50 Directional Arrows	0	5	63	63
51 Speed Bumps Striping	0	5	110	110
52 Concrete Repair Allowance	2	10	1,050	840
53 Paver Resetting Allowance	2	10	1,050	840
54 Street Signs	12	25	2,363	1,229
55 Street Sign Poles	37	50	3,938	1,024
56 Paint Sign Poles	2	6	315	210
57 Pole Lights	12	25	9,660	5,023
58 Light Poles	37	50	22,943	5,965
59 Paint Light Poles	2	6	1,811	1,208
Projected Fully Funded Balance (Total)				178,448.05

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **after-tax interest rate of 1-1/2%** on replacement fund cash balances and an annual **inflation rate of 2-1/2%** on major component replacement costs. The replacement fund **cash** and investment balances at **December 31, 2015** totaled **\$97,580**. The estimated **liability** for major repairs and replacements at this date totaled approximately **\$178,000**. The portion of **2016** regular **assessments** budgeted to be allocated to the replacement fund totals **\$16,052**.

See independent accountants' review report and accompanying notes.