
SEABRIDGE VILLAGE MASTER ASSOCIATION

March 2018

TO: ALL SEABRIDGE VILLAGE MASTER HOMEOWNERS
FROM: DON CHESEMORE, COMMUNITY MANAGER

Dear Homeowner:

In accordance with California Civil Code §5305, enclosed you will find a copy of the Annual Audit for the fiscal year end December 31, 2017. This audit was prepared by an independent CPA firm, Inouye, Shively & Klatt, and has been accepted by the Board of Directors.

In addition to the audit, you will also find enclosed a Request for Annual Notice of Address, Representative and Rental Status. Civil Code §4041 now requires this information be collected on an annual basis. Please complete the form and return it to the management office within 30 days (no later than May 1, 2018). You do not have to return the form if you respond online at www.vivoportal.com.

Should you have any questions concerning the enclosed information, please contact the Board, in writing, or attend a Board meeting.

Enclosure: Audit
Request for Address Form



Member:
American Institute
of Certified Public
Accountants

Member:
California Society
of Certified Public
Accountants

23041 Avenida de la Carlota, Suite 310
Laguna Hills, CA 92653

Phone: (949) 586-6640
Fax: (949) 586-6137

To the Board of Directors and Members of
Seabridge Village Master Community Association

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Seabridge Village Master Community Association, which comprise the balance sheet as of December 31, 2017, 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 Seabridge Village Master Community Association as of December 31, 2017, 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.

Board of Directors and Members
Seabridge Village Master Community Association

Emphasis of Matter on Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 3 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to this matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 9 be presented to supplement the basic financial statements. Such information, although not 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 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.

Inouye, Shively & Klatt

Inouye, Shively, & Klatt

Laguna Hills, CA
March 7, 2018

SEABRIDGE VILLAGE MASTER COMMUNITY ASSOCIATION

BALANCE SHEET

AS OF DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 13,329	\$ 168,806	\$ 182,135
Investments	-	130,000	130,000
Assessments receivable	26,132	-	26,132
Allowance for doubtful accounts	(20,900)	-	(20,900)
Accrued interest receivable	-	1,372	1,372
Prepaid insurance	8,963	-	8,963
Prepaid income taxes	537	-	537
Interfund account	(54,558)	54,558	-
Total assets (deficit)	(26,497)	354,736	328,239
Liabilities			
Accounts payable	56,769	2,924	59,693
Prepaid assessments	21,232	-	21,232
Refundable deposits	194	-	194
Other payables	4,606	-	4,606
Income taxes payable	10	-	10
	82,811	2,924	85,735
Fund balances (deficit)	(109,308)	351,812	242,504
Total liabilities and fund balances (deficit)	\$ (26,497)	\$ 354,736	\$ 328,239

See independent auditors' report and accompanying notes to financial statements.

SEABRIDGE VILLAGE MASTER COMMUNITY ASSOCIATION

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Total
Revenues			
Member assessments	\$ 359,648	\$ 63,184	\$ 422,832
Investment income	-	2,591	2,591
Recovery of bad debt	2,990	-	2,990
Other income	12,688	-	12,688
Total revenues	375,326	65,775	441,101
Expenses			
Landscape services	42,625	14,567	57,192
Pool/spa services	12,998		12,998
General maintenance and repairs	36,901	1,180	38,081
Security/patrol services	270,446	-	270,446
Janitorial services	2,224	-	2,224
Street sweeping	2,469	-	2,469
Electricity	19,135	-	19,135
Telephone	2,263	-	2,263
Management fees	15,614	-	15,614
Office supplies/printing/postage	17,909	-	17,909
Insurance	12,542	-	12,542
Legal and collection	17,015	-	17,015
Audit/tax preparation/reserve study	1,335	-	1,335
General and administrative	5,962	-	5,962
Painting	-	10,109	10,109
Tennis/basketball courts	-	1,112	1,112
Guardhouse	-	2,015	2,015
Lighting/electrical	-	10,777	10,777
Fences & gates	-	14,105	14,105
Income taxes	755	-	755
Total expenses	460,193	53,865	514,058
Excess (deficiency) of revenues over expenses	(84,867)	11,910	(72,957)
Beginning fund balances (deficit)	(84,453)	399,914	315,461
Interfund transfer	60,012	(60,012)	-
Ending fund balances (deficit)	\$ (109,308)	\$ 351,812	\$ 242,504

See independent auditors' report and accompanying notes to financial statements.

SEABRIDGE VILLAGE MASTER COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Excess (deficiency) of revenues over expenses	\$ (84,867)	\$ 11,910	\$ (72,957)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities			
Decrease in net assessments receivable	2,694	-	2,694
Decrease in accounts receivable - other	1,731	-	1,731
Increase in accrued interest receivable	-	(1,158)	(1,158)
Increase in prepaid insurance	(110)	-	(110)
Increase in prepaid income taxes	(181)	-	(181)
Increase (decrease) in accounts payable	12,929	(3,062)	9,867
Increase in accounts payable - other	4,606	-	4,606
Decrease in prepaid assessments	(4,971)	-	(4,971)
Increase in refundable deposit	194	-	194
Increase in income taxes payable	10	-	10
Total adjustments	16,902	(4,220)	12,682
Net cash provided by operating activities	(67,965)	7,690	(60,275)
Cash flows from investing activities:			
Disposition of investments - net	-	20,000	20,000
Net cash provided by investing activities	-	20,000	20,000
Cash flows from financing activities:			
Change in interfund payable balances	(5,454)	5,454	-
Interfund transfer	60,012	(60,012)	-
Net cash provided by (used in) financing activities	54,558	(54,558)	-
Net decrease in cash and cash equivalents	(13,407)	(26,868)	(40,275)
Cash and cash equivalents at beginning of year	26,736	195,674	222,410
Cash and cash equivalents at end of year	\$ 13,329	\$ 168,806	\$ 182,135
Supplemental disclosures			
Income taxes paid	\$ 936	\$ -	\$ 936

See independent auditors' report and accompanying notes to financial statements.

SEABRIDGE VILLAGE MASTER COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - NATURE OF ORGANIZATION

Seabridge Village Master Community Association ("Association") is a nonprofit mutual benefit corporation responsible for preserving and maintaining the common property within the development. The Association consists of 766 residential units occupying a site in Huntington Beach, California and was incorporated on July 15, 1983.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting: Accounting records for the Association are maintained on a modified accrual basis of accounting, which recognizes assessments when billed, but recognizes other revenues when received and expenses when paid. For audit and tax purposes, adjustments have been made to convert the Association's financial statements to the full accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

(b) Fund Accounting: The Association uses fund accounting which requires that funds be classified separately for accounting and reporting purposes. Financial resources are classified in the following funds established according to their nature and purpose:

Operating Fund - Available for normal operating purposes. Disbursements are generally at the discretion of the Board of Directors.

Replacement Fund - Available for major repairs and replacements of common area components. Disbursements generally may be made only for their designated purpose.

(c) Capitalization and Depreciation Policy: Real property contributed by the developer as well as replacements and improvements are generally not capitalized since the Association's governing documents impose restrictions on its disposition. Significant personal property assets, if any, are generally capitalized at cost and depreciated over its estimated useful life using the straight-line method of depreciation.

(d) Cash Equivalents and Investments: Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Investments consist primarily of certificates of deposit and other securities with original maturities over 90 days. Investments are considered to be held to maturity which range from January to June 2018. Cash equivalents and investments are stated at cost.

(e) Investment Income: Investment income consists primarily of interest and dividends earned on cash, cash equivalents and investment accounts, and is recorded as it is earned. Investment income is generally accounted for in the fund in which it is earned.

(f) Estimates: Financial statements prepared in conformity with generally accepted accounting principles require the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Subsequent Events: The Association has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 7, 2018 the date the financial statements were available to be issued.

SEABRIDGE VILLAGE MASTER COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is in compliance with its governing documents that require funds be accumulated for future major repairs and replacements of common property components. Substantially all accumulated funds are held in separate accounts and are generally not available for normal operating purposes.

The Association's reserve funding policy was based on a study conducted in June 2017, by an independent analyst to estimate the remaining useful lives and costs of future major repairs and replacements of common property components. The study recommends a fully funded reserve balance of \$469,554. As of December 31, 2017, the actual available replacement fund balance was \$297,254. The study recommends an annual member contribution of \$86,596. The Association's 2018 budget includes a reserve contribution of \$86,628.

Funds are being accumulated in the replacement fund based on estimated future costs. Actual expenditures 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 all future needs. If additional funds are needed, the Association has the right to increase assessments, pass special assessments, or delay repairs and replacements until funds are available.

NOTE 4 - INCOME TAXES

For the year ended December 31, 2017, the Association qualified as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and California Revenue and Taxation Code Section 23701t. Under these Sections the Association is not taxed on net income related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes investment income and revenues received from nonmembers, is taxed at 30% by the federal government and 8.84% by the State of California.

The Association recognizes tax benefits only to the extent that it believes it is more likely than not that its tax positions will be sustained upon examination by taxing authorities. The Association believes that all of its tax positions will be sustained if examined by taxing authorities, therefore no additional tax liabilities or related penalties and interest due to uncertain tax positions have been recorded. The Association's tax returns are subject to examination by the Internal Revenue Service for three years after they are filed, and by the California Franchise Tax Board for four years after they are filed.

NOTE 5 - MEMBER ASSESSMENTS

Association members are subject to paying assessments to fund the Association's operating activities, capital acquisitions, and future major repairs and replacements. During the year ended December 31, 2017, the monthly assessment was \$46 per unit. The 2018 monthly assessment is budgeted to increase to \$50 per unit. The annual budget and member assessments are determined by the Board of Directors. The Association retains excess funds at the end of the year, if any, for use in future periods.

SEABRIDGE VILLAGE MASTER COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017

NOTE 6 - ASSESSMENTS RECEIVABLE

Assessments receivable represent assessments and other fees due from members. The Association's governing documents provide for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner.

Generally accepted accounting principles require uncollectible receivables to be accounted for using the allowance method, which requires an annual provision for doubtful accounts. As such, the allowance for doubtful accounts represents an estimate of the amount of accounts receivable that may eventually be uncollectible. The allowance was computed by adding all receivables older than 90 days.

Receivable balances are written off once all collection alternatives have been exhausted and the Board of Directors has deemed them uncollectible.

NOTE 7 - INTERFUND ACCOUNT

The interfund account represents the amount one fund owes another fund. Various scenarios may cause this situation which include, but are not limited to, one fund paying the expenses of another fund, one fund borrowing from another fund, or the operating fund not paying the full annual budgeted contribution amount to the replacement fund.

NOTE 8 - OPERATING DEFICIT

As of December 31, 2017, the Association had an operating deficit, which is the result of an excess of operating expenses over operating revenues. The options available to the Association are to increase assessments, decrease spending, and/or pass a special assessment. In an effort to help remedy the situation, the 2018 annual budget includes an increase in assessments.

SEABRIDGE VILLAGE MASTER COMMUNITY ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
AS OF DECEMBER 31, 2017
(UNAUDITED)

A study was conducted in June 2017, by an independent analyst to estimate the remaining useful lives and the repair and replacement costs of common property components. The study was based on information provided by management, the Board of Directors, and Association vendors, as well as the knowledge and experience of the analyst. The study preparer may also use published manuals such as construction estimators, appraisal handbooks and valuation guides to estimate costs and remaining useful lives. The estimated costs were based on current estimated repair and replacement costs at the time of the study. Funding requirements consider an inflation rate of 3%, scheduled annual contribution increase of 3%, and an investment rate of 1% on accumulated replacement funds. The study recommends a fully funded reserve balance of \$469,554. As of December 31, 2017, the actual available replacement fund balance was \$297,254. The study recommends an annual member contribution of \$86,596. The Association's 2018 budget includes a reserve contribution of \$86,628.

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

Common Property Components	Estimated Remaining Useful Lives (Years)	Estimated Repair and Replacement Costs
Roofing components	1	\$ 38,914
Paved surfaces	1 - 15	286,038
Fences & gates	1 - 8	167,875
Paint	2 - 5	30,370
Lighting	1	20,200
Landscape	1	2,000
Waterscape	1 - 2	61,500
Fitness facilities	1 - 5	28,080
Access control	1 - 10	16,500
Other	1	36,175
Total		<u>\$ 687,652</u>

SEABRIDGE VILLAGE MASTER ASSOCIATION

Date: March 2018

TO: Seabridge Village Master Association

FROM: Don Chesemore, Community Manager

**REQUEST FOR ANNUAL NOTICE OF ADDRESS,
REPRESENTATIVE AND RENTAL STATUS**
(Civil Code section 4041)

Civil Code §4041 requires the Association to request each homeowner provide us with the following information on an annual basis. This request for information is required to be sent by associations to their members at least 30 days prior to making the Association's own Annual Budget Report disclosures under Civil Code §5300. You do not have to return this form if you respond online at www.vivoportal.com.

Name _____

Please complete this form regarding property address _____ and return it to the Association within 30 days: *Please enter address*

1. The address or addresses to which notices from the Association are to be delivered:

2. An alternate or secondary address to which notices from the Association are to be delivered:

3. The name and address of your legal representative, if any, including any person with power of attorney, or other person who can be contacted in the event of your extended absence:

4. Is the separate interest that you own (check one):

Owner-occupied? Rented out?

Please return this information to Seabridge Village Master Association c/o Action Property Management, 2603 Main Street, Suite 500, Irvine, CA 92614.

*Professionally Managed By Action Property Management, Inc.
2603 Main Street, Suite 500, Irvine, California 92614-2302
(949) 450-0202 (800) 400-2284 (949) 450-0303 fax
www.seabridgevillagemaster.com*