

**Evergreen Community Association  
Financial Statements  
For the Year Ended June 30, 2025**



**NEWMAN**  
Certified Public Accountant, PC

**Evergreen Community Association  
Financial Statements  
For the Year Ended June 30, 2025**

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## Independent Auditor's Report

To the Board of Directors of Evergreen Community Association

### Opinion

We have audited the accompanying financial statements of Evergreen Community Association, which comprise the balance sheet as of June 30, 2025, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Evergreen Community Association as of June 30, 2025, and the 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Evergreen Community Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter - Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 5 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 that matter.

### 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 Evergreen Community Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 generally accepted auditing standards 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Evergreen Community 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Evergreen Community 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.

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

Accounting principles generally accepted in the United States of America require that supplementary information on Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires 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 Certified Public Accountant, PC.*

**Newman Certified Public Accountant, PC**

Carlsbad, California

September 30, 2025

**Evergreen Community Association**  
**Balance Sheet**  
**June 30, 2025**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 155,806	\$ 584,830	\$ 740,636
Investments	-	300,000	300,000
Assessments receivable	4,532	-	4,532
Allowance for credit losses	(3,500)	-	(3,500)
Interest receivable	-	3,293	3,293
Prepaid insurance	11,783	-	11,783
Prepaid income taxes	-	1,101	1,101
Due from (to) fund	9,894	(9,894)	-
<b>Total assets</b>	<u>\$ 178,515</u>	<u>\$ 879,330</u>	<u>\$ 1,057,845</u>
<b>Liabilities</b>			
Accounts payable	\$ 340	\$ -	\$ 340
Prepaid assessments	11,247	-	11,247
Contract liabilities (assessments received in advance - replacement fund)	-	879,330	879,330
<b>Total liabilities</b>	<u>11,587</u>	<u>879,330</u>	<u>890,917</u>
<b>Fund balances</b>	<u>166,928</u>	<u>-</u>	<u>166,928</u>
<b>Total liabilities and fund balances</b>	<u>\$ 178,515</u>	<u>\$ 879,330</u>	<u>\$ 1,057,845</u>

**Evergreen Community Association**  
**Statement of Revenues and Expenses and Changes in Fund Balances**  
**For the Year Ended June 30, 2025**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Revenues</b>			
Owners' assessments	\$ 167,246	\$ 130,593	\$ 297,839
Reimbursement income	3,481	-	3,481
Collection income	1,939	-	1,939
Fines and violations	8,400	-	8,400
Interest	310	19,522	19,832
Other member income	3,414	-	3,414
<b>Total revenues</b>	<u>184,790</u>	<u>150,115</u>	<u>334,905</u>
<b>Expenses</b>			
Utilities			
Electricity	7,157	-	7,157
Water	6,574	-	6,574
	<u>13,731</u>	<u>-</u>	<u>13,731</u>
Common Area			
Landscape and irrigation	50,090	1,685	51,775
Tree trimming	700	4,416	5,116
Common area repairs and maintenance	2,401	-	2,401
Pest control	1,805	-	1,805
Roof repair and maintenance	-	7,100	7,100
Painting	-	1,200	1,200
Lighting and electrical	2,071	-	2,071
Streets and drives	-	129,415	129,415
	<u>57,067</u>	<u>143,816</u>	<u>200,883</u>
Administrative			
Insurance	41,926	-	41,926
Management	30,968	-	30,968
Legal and professional	5,070	-	5,070
Administrative expense	4,089	-	4,089
Income tax expense	-	6,299	6,299
	<u>82,053</u>	<u>6,299</u>	<u>88,352</u>
<b>Total expenses</b>	<u>152,851</u>	<u>150,115</u>	<u>302,966</u>
<b>Excess (deficit) of revenues over (under) expenses</b>	31,939	-	31,939
<b>Beginning fund balances</b>			
Prior period adjustment	136,816	-	136,816
	(1,827)	-	(1,827)
<b>Ending fund balances</b>	<u>\$ 166,928</u>	<u>\$ -</u>	<u>\$ 166,928</u>

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

**Evergreen Community Association  
Statement of Cash Flows  
For the Year Ended June 30, 2025**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Excess (deficit) of revenues over (under) expenses</b>	\$ 31,939	\$ -	\$ 31,939
Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash provided (used) by operating activities			
Decrease (Increase) in operating assets:			
Assessments receivable	5,713	-	5,713
Allowance for credit losses	(2,879)	-	(2,879)
Interest receivable	-	(1,328)	(1,328)
Prepaid insurance	3,648	-	3,648
Prepaid income taxes	-	(1,101)	(1,101)
Increase (Decrease) in operating liabilities:			
Accounts payable	(8,644)	(6,985)	(15,629)
Income tax payable	-	(5,179)	(5,179)
Prepaid assessments	5,663	-	5,663
Contract liabilities (assessments received in advance - replacement fund)	-	45,159	45,159
Prior period adjustment	(1,827)	-	(1,827)
Total adjustments	<u>1,674</u>	<u>30,566</u>	<u>32,240</u>
Net cash provided (used) by operating activities	<u>33,613</u>	<u>30,566</u>	<u>64,179</u>
Cash provided (used) by investing activities:			
Investments	-	150,000	150,000
Net cash flows from investing activities	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Cash provided (used) by financing activities:			
Interfund borrowings	(10,739)	10,739	-
Net cash flows from financing activities	<u>(10,739)</u>	<u>10,739</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	22,874	191,305	214,179
<b>Beginning cash and cash equivalents</b>	132,932	393,525	526,457
<b>Ending cash and cash equivalents</b>	<u>\$ 155,806</u>	<u>\$ 584,830</u>	<u>\$ 740,636</u>
<b>SUPPLEMENTAL DISCLOSURE</b>			
Income taxes paid			\$ 12,579
Interest paid			<u>\$ -</u>

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

**Evergreen Community Association**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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**1. Organization**

Evergreen Community Association (the "Association") was incorporated on July 8, 1999, as a nonprofit mutual benefit corporation under the laws of California for the purposes of maintaining and preserving common property. The Association consists of 108 units and is located in Irvine, California.

**2. Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 30, 2025, the date that the financial statements were available to be issued.

**3. Summary of Significant Accounting Policies**

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

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 - The fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - The fund is used to accumulate financial resources designated for future major repairs and replacements.

Members Assessments and Allowance for Credit Losses

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 properties of owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$10,245 and \$4,532, respectively. After the Board of Directors has exhausted all efforts to collect delinquent accounts, the Board of Directors may elect to write off uncollectible balances.

**Evergreen Community Association**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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The Association recorded an allowance for credit losses of \$3,500 to reflect an estimate of accounts that may not be collectible.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Contract Liabilities (Assessments received in advance – replacement fund)

The Association recognizes replacement fund (reserves) revenue from members as 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 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 \$834,171 and \$879,330, respectively.

Income Tax

The Association's policy is to record interest expense or penalties related to income tax in operating expenses.

Interest Income

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

Cash and Cash Equivalents

Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit with original maturities of 90 days or less.

Investments

Investments consist of certificates of deposit and other securities and investment accounts with original maturities of more than 90 days.

Concentration of Credit Risk

The Association maintains bank accounts with balances that exceed FDIC federal insurance of \$250,000. The financial institution may carry private insurance, which may or may not be sufficient to reimburse for any losses. At June 30, 2025, \$278,810 was exposed to risk.

**4. Income Taxes**

Common Interest Realty Associations are generally taxed either as a qualifying Internal Revenue Code (IRC) Section 528 homeowners' association or as a regular corporation subject to the special provisions of IRC Section 277 for membership organizations. For the current year, the Association has met IRC Section 528 eligibility requirements and has chosen to file Form 1120-H for its federal income tax return. The income tax filing determination is assessed for each tax year and only pertains to the tax year being evaluated.

IRC Section 528 requires that the Association separates all of its income and expense activity between three categories: exempt function, nonexempt function and capital. Taxable income includes net nonexempt function income, such as

**Evergreen Community Association**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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interest and other nonmember sourced income. In the determination of net taxable income, certain expenses were allocated to offset a portion of the Association's taxable income. The Form 1120-H tax rate is 30%.

The Association is also required to file California's Form 100 income tax return subject to California Revenue & Taxation Code sections 24405 and 24437 for its state income tax return. The Form 100 tax rate is 8.84%.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of the year end, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions. 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. There are currently no audits in progress for any tax period.

#### **5. 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 operating fund expenses.

The Board of Directors conducted a reserve study 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 or 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 to levy special assessments, or it may delay major repairs and replacements until funds are available.

#### **6. FASB ASC 606 Revenue Recognition**

The Financial Accounting Standards Board (FASB) issued ASC 606 guidance, Revenue from Contracts with Customers, effective January 1, 2019, which superseded the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRA), Revenue Recognition. The Association has presented the attached financial statements in accordance with FASB ASC 606. Assessments attributed to the Operating Fund are recognized in the period earned. Assessments allocated to the Replacement Fund are recognized as revenue only when there are replacement fund expenditures, and to the extent the replacement fund expenditures exceed replacement fund interest income.

**Evergreen Community Association**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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The cumulative balance of Replacement Fund assessments that have not been recognized as income are accumulated as deferred replacement fund assessments and presented as Contract Liabilities (Assessments received in advance - Replacement fund) on the Balance Sheet. Deferred replacement fund assessments are increased by unrecognized replacement fund assessments and decreased as replacement fund assessments are recognized as revenue in the Statement of Revenue and Expenses and Changes in Fund Balances.

Contract liabilities (assessments received - in advance - replacement fund) as of July 01, 2024	\$ 834,171
Assessments budgeted for Replacement Fund	175,752
Recognized Replacement Fund assessments	<u>(130,593)</u>
Contract liabilities (assessments received - in advance - replacement fund) as of June 30, 2025	<u>\$ 879,330</u>

**Evergreen Community Association**  
**Supplementary Information on Future Major Repairs and Replacements**  
**June 30, 2025**  
**(Unaudited)**

The Association's Board of Directors, in conjunction with a reserve study expert, conducted a reserve study dated April 25, 2025, 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 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 and replacement.

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

Study Component	Estimated remaining useful lives (years)	Estimated Future replacement costs
Streets	0-7	\$ 314,718
Roofs	1	36,000
Painting	0-5	419,253
Railing and walls	5-15	172,889
Lighting	5-5	177,110
Landscape	0-1	88,500
Miscellaneous	3-5	41,300
		<u>\$ 1,249,770</u>
Interest rate		<u>2.50%</u>
Inflation rate		<u>3.00%</u>

See the Balance Sheet for replacement fund cash, cash equivalents and investments balances at June 30, 2025