

# BARRON SQUARE HOMEOWNERS ASSOCIATION

Thain Way • Palo Alto • California

**TO: All Members of  
THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

**FROM: Joseph D'Agostino, CCAM  
Association Manager**

**SUBJECT: Copy of the Association's 2019 Review**

**DATE: March 30, 2020**

Enclosed please find your copy of the

***Independent Accountant's Review Report, Financial Statements and  
Supplementary Information  
for the Year Ended December 31, 2019***

more commonly referred to as the **2019 REVIEW**, for The Barron Square Homeowners Association as prepared by Marcello Lara, Certified Public Accountant and Consultant. This **2019 REVIEW** is being mailed to you as specified in Section 5305 of the California Civil Code.

Please keep your copy of the **2019 REVIEW** with your other Association documents for easy reference and/or for availability in the event that you should sell or refinance your unit.

If you have any question regarding the **2019 REVIEW**, please submit them, ***in writing***, to the Board of Governors, in care of PML Management at the address below.

Encl.

Review cover letter 2019.bs

**THE BARRON SQUARE HOMEOWNERS ASSOCIATION**

INDEPENDENT ACCOUNTANT'S REVIEW REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019

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**MARCELLO LARA**

*Certified Public Accountant & Consultant*

# The Barron Square Homeowners Association

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Year Ended December 31, 2019

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of  
**The Barron Square Homeowners Association**  
Palo Alto, California

I have reviewed the accompanying financial statements of **The Barron Square Homeowners Association** (the Association) which comprise the balance sheet as of December 31, 2019 and the related statement of revenues, expenses and changes in fund balances, and the statement of cash flows, for the year 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, I do not express such an opinion.

### 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 the financial statements that are free from material misstatement whether due to fraud or error.

### Accountant's Responsibility

My responsibility is to conduct the review 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on page(s) 15 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. The required supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion or provide any assurance on it.

### Comparative Information

Information for the year ended December 31, 2018 is presented for comparative purposes only and was extracted from audited financial statements on which I expressed an unqualified opinion in my report dated March 08, 2019.

*Marcello Lara*

February 28, 2020

# The Barron Square Homeowners Association

## Balance Sheets as of December 31, 2019

	Note	2019			2018
		Operations Fund	Replacement Fund	Total Funds	Total Funds
<i>(for comparative purposes only)</i>					
<b>Assets</b>					
Cash and cash equivalents	2.4	\$ 111,649	\$ 557,615	\$ 669,264	\$ 786,629
Investment in certificates of deposit	4	-	805,553	805,553	109,273
Prepaid insurance		48,291	-	48,291	4,577
Other receivables		9,343	-	9,343	70,000
Interest receivable		-	4,646	4,646	-
Other prepaid expenses		2,868	-	2,868	2,785
Member receivables	2.6	2,763	-	2,763	2,095
Investment in US Treasury securities		-	-	-	348,015
Due from operations fund		-	41,754	41,754	11,497
Due to replacement fund		(41,754)	-	(41,754)	(11,497)
<b>Total Assets</b>		<u>\$ 133,160</u>	<u>\$ 1,409,568</u>	<u>\$ 1,542,728</u>	<u>\$ 1,323,374</u>
<b>Liabilities</b>					
Contract liabilities (assessments received in advance)	2.11	\$ -	\$ 1,409,568	\$ 1,409,568	\$ -
Insurance payable		36,166	-	36,166	-
Assessments received in advance		9,717	-	9,717	10,806
Accounts payable		3,400	-	3,400	11,068
Income taxes payable	2.10	2,423	-	2,423	1,963
Insurance claim settlement obligation		-	-	-	26,886
<b>Total Liabilities</b>		<u>51,706</u>	<u>1,409,568</u>	<u>1,461,274</u>	<u>50,723</u>
<b>Fund Balance</b>		<u>81,454</u>	<u>-</u>	<u>81,454</u>	<u>1,272,651</u>
<b>Total Liabilities and Fund Balance</b>		<u>\$ 133,160</u>	<u>\$ 1,409,568</u>	<u>\$ 1,542,728</u>	<u>\$ 1,323,374</u>

See independent accountant's review report and accompanying notes.

# The Barron Square Homeowners Association

## Statements of Revenues, Expenses and Changes in Fund Balances for the Year Ended December 31, 2019

	Note	2019			2018
		Operations Fund	Replacement Fund	Total Funds	Total Funds
<i>(for comparative purposes only)</i>					
<b>Revenues</b>					
Member assessments	2.8	\$ 303,343	\$ 109,476	\$ 412,819	\$ 630,924
Interest income	2.9	170	18,744	18,914	10,094
Late charges and other income		<u>2,183</u>	<u>-</u>	<u>2,183</u>	<u>422</u>
<b>Total Revenues</b>		<u><u>305,696</u></u>	<u><u>128,220</u></u>	<u><u>433,916</u></u>	<u><u>641,440</u></u>
<b>Expenses</b>					
<u><b>Administration</b></u>					
Insurance		75,082	-	75,082	70,764
Management		33,420	-	33,420	31,824
Legal, accounting and consulting		7,160	2,350	9,510	5,373
Income taxes	2.10	4,633	-	4,633	2,163
General administration		3,853	-	3,853	3,339
Social functions		755	-	755	112
Reserve study		-	725	725	-
Bank fees		<u>-</u>	<u>300</u>	<u>300</u>	<u>350</u>
<b>Total administration</b>		<u><u>124,903</u></u>	<u><u>3,375</u></u>	<u><u>128,278</u></u>	<u><u>113,925</u></u>
<u><b>Common Area Maintenance</b></u>					
Landscape maintenance		102,176	-	102,176	76,925
Other maintenance and repairs		16,061	-	16,061	7,324
Pool and spa maintenance and repair		11,765	-	11,765	7,343
Gutters and downspouts		9,750	-	9,750	8,650
Plumbing maintenance and repair		7,241	-	7,241	3,897
Custodial services		6,529	-	6,529	5,705
Pest control		3,961	-	3,961	3,322
Lighting and electrical		<u>3,950</u>	<u>-</u>	<u>3,950</u>	<u>2,635</u>
<b>Total Common Area Maintenance</b>		<u><u>161,433</u></u>	<u><u>-</u></u>	<u><u>161,433</u></u>	<u><u>115,801</u></u>

See independent accountant's review report and accompanying notes.

# The Barron Square Homeowners Association

## Statements of Revenues, Expenses and Changes in Fund Balances for the Year Ended December 31, 2019

	Note	2019			2018
		Operations Fund	Replacement Fund	Total Funds	Total Funds
<i>(for comparative purposes only)</i>					
<b><u>Utilities</u></b>					
Water and sewer		33,834	-	33,834	35,838
Gas and electricity		8,679	-	8,679	9,471
Cable television		2,069	-	2,069	2,006
<b>Total Utilities</b>		<u>44,582</u>	<u>-</u>	<u>44,582</u>	<u>47,315</u>
<b><u>Major Repairs and Replacements</u></b>					
Plumbing system		-	48,654	48,654	-
Decks		-	43,764	43,764	-
Roofs		-	9,454	9,454	13,644
Concrete surfaces		-	8,300	8,300	9,200
Landscaping		-	7,279	7,279	27,972
Pool		-	5,959	5,959	9,825
Other major repairs and replacements		-	1,435	1,435	9,152
Lighting		-	-	-	1,980
Building exteriors		-	-	-	22,838
Clubhouse		-	-	-	42,968
<b>Total Major Repairs and Replacements</b>		<u>-</u>	<u>124,845</u>	<u>124,845</u>	<u>137,579</u>
<b>Total Expenses</b>		<u>330,918</u>	<u>128,220</u>	<u>459,138</u>	<u>414,620</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>		(25,222)	-	(25,222)	226,820
<b>Fund Balance, Beginning of Year</b>	6	<u>106,676</u>	<u>-</u>	<u>106,676</u>	<u>1,045,831</u>
<b>Fund Balance, End of Year</b>		<u>\$ 81,454</u>	<u>\$ -</u>	<u>\$ 81,454</u>	<u>\$ 1,272,651</u>

See independent accountant's review report and accompanying notes.

# The Barron Square Homeowners Association

## Statements of Cash Flows for the Year Ended December 31, 2019

	2019			2018
	Operations Fund	Replacement Fund	Total Funds	Total Funds
				<i>(for comparative purposes only)</i>
<b><u>Operating Activities</u></b>				
Excess (Deficiency) of Revenues Over Expenses	\$ (25,222)	\$ -	\$ (25,222)	\$ 226,820
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Decrease (Increase) in Assets:				
Member receivables	(668)	-	(668)	(1,907)
Interest receivable	-	(4,646)	(4,646)	-
Prepaid insurance	(43,714)	-	(43,714)	(582)
Other receivables	60,657	-	60,657	(70,000)
Other prepaid expenses	(83)	-	(83)	(133)
Due from operations fund	-	(30,257)	(30,257)	(11,472)
Due to replacement fund	30,257	-	30,257	11,472
Increase (Decrease) in Liabilities				
Accounts payable	(7,668)	-	(7,668)	2,282
Insurance payable	36,166	-	36,166	-
Assessments received in advance	(1,089)	-	(1,089)	(2,374)
Insurance claim settlement obligation	(26,886)	-	(26,886)	26,886
Income taxes payable	460	-	460	1,780
Contract liabilities (assessments received in advance)	-	243,593	243,593	-
Total Adjustments	47,432	208,690	256,122	(44,048)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>22,210</b>	<b>208,690</b>	<b>230,900</b>	<b>182,772</b>
<b><u>Investing Activities</u></b>				
Net (Purchase) Sale of investment in certificates of deposit	-	(696,280)	(696,280)	398,641
Net (Purchase) Sale of investment in US Treasury securities	-	348,015	348,015	(348,015)
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>-</b>	<b>(348,265)</b>	<b>(348,265)</b>	<b>50,626</b>

See independent accountant's review report and accompanying notes.



# The Barron Square Homeowners Association

## Statements of Cash Flows for the Year Ended December 31, 2019

	2019			2018
	Operations Fund	Replacement Fund	Total Funds	Total Funds
				<i>(for comparative purposes only)</i>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>22,210</u>	<u>(139,575)</u>	<u>(117,365)</u>	<u>233,398</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>89,439</u>	<u>697,190</u>	<u>786,629</u>	<u>553,231</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 111,649</u>	<u>\$ 557,615</u>	<u>\$ 669,264</u>	<u>\$ 786,629</u>
<u>Supplemental Disclosures</u>				
Income Taxes Paid	2.10 <u>\$ 4,173</u>	<u>\$ -</u>	<u>\$ 4,173</u>	<u>\$ 383</u>

See independent accountant's review report and accompanying notes.

# The Barron Square Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2019

## 1. Nature of Organization

The Barron Square Homeowners Association (the Association) is a common interest development located in Palo Alto, California which consists of 65 residential dwellings and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation on February 08, 1979 to provide for management, maintenance and architectural control of the individual units and 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

**2.1 Method of Accounting.** 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.

**2.2 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.

**Operations Fund** - This fund is used to account for the financial resources available for the general day-to-day operations of the Association.

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

**2.3 Comparative Information** The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31 of the prior year, from which the summarized information was derived.

**2.4 Cash and Cash Equivalents.** For purposes of the balance sheet and the statement of cash flows, the Association considers cash on hand, demand deposits with financial institutions, money market accounts and all short-term investments with original maturities of three months or less to be included in cash and cash equivalents.

See independent accountant's review report.

# The Barron Square Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2019

**2.5 Use of 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.

**2.6 Member Receivables** at the balance sheet date represent aggregate amounts due from unit owners which may include regular assessments, late fees, fines, reimbursement assessments and other charges. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

It is the opinion of the Board of Directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for delinquent accounts is deemed necessary.

**2.7 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.

**2.8 Member Assessments.** Association members are subject to annual assessments, payable in equal monthly installments, 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 is 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. 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.

See independent accountant's review report.

# The Barron Square Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2019

**Member assessments (continued)**

Monthly assessments for the years ended December 31, 2019 and 2018 were as follows:

		Monthly		
		Operations	Replacement	
		Fund	Fund	Total
Member assessments-average	2019	\$ 388.90	\$ 452.65	\$ 841.55
Member assessments-average	2018	\$ 369.95	\$ 438.93	\$ 808.88
		Low	High	
Assessment Range	2019	\$ 684.00	\$ 979.00	
	2018	\$ 657.00	\$ 941.00	

**2.9 Interest Earned** on operating and replacement funds, net of related income taxes, is retained in said respective funds.

**2.10 Income Taxes.** The Association elects annually to be taxed as either a regular corporation under Internal Revenue Code (IRC) § 277 or as a homeowners association under IRC § 528 in its tax filing with the Internal Revenue Service (IRS). Form 1120 is used when filing as a regular corporation and Form 1120-H is used when filing as a homeowners association.

For the year ended December 31, 2019 the Association elected to file Form 1120 and be taxed as a regular corporation. By doing so, the Association is taxed at a flat 21% rate on net nonmembership income (generally investment interest income), less directly related expenses.

The Association is taxed by the California Franchise Tax Board (FTB) at a rate of 8.84% on its net nonmembership income.

The Association has qualified as a tax-exempt entity with the FTB under California Revenue and Taxation Code § 23701. To maintain tax-exempt status with FTB the Association must, among other things, file an annual informational return known as Form 199 and pay a \$10 filing fee.

The Association's income tax returns are subject to examination by various taxing authorities. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

See independent accountant's review report.

# The Barron Square Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2019

**2.11 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 recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of December 31, 2019 and 2018 are \$1,409,568 and \$0, respectively.

### 3. Concentrations of Credit Risk

The Association maintains its deposits with what management believes to be high credit quality financial institutions and attempts to limit the amount of credit exposure to any one particular institution. The balances in those accounts may occasionally exceed the current Federal Deposit Insurance Corporation (FDIC) insurance protection of up to \$250,000 per depositor per institution. Amounts held with broker-dealers are not usually insured by the FDIC, but rather they are privately insured by the Securities Investor Protection Corporation (SIPC).

### 4. Investments

The Association categorizes its investments according to the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 320-10. Generally, and in line with prevalent industry practice, the Association only invests in securities classified as *Held to Maturity* or *Available for Sale*.

**4.1 Debt securities held to maturity** consist of federally-insured certificates of deposit that the Association has both the intent and ability to hold to maturity. These investments are recorded at their amortized cost whose aggregate fair values at December 31, 2019 are \$805,553.

### 5. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$1,409,568, and are presented on the accompanying balance sheet as a contract liability (assessments received in advance-replacement fund) at December 31, 2019, are required to be held in separate accounts and are generally not available for operating purposes.

In November 2019 a component study update, with no site-visit was completed by Reserve Analysis Consulting, LLC to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an annual component cost inflation rate of 3.00% and an interest rate of 2.00% earned on cash and investments on amounts funded for future major repairs and replacements. The table

See independent accountant's review report.

# The Barron Square Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2019

## Future major repairs and replacements (continued)

on page(s) 15 on future major repairs and replacements is based on the aforementioned study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the Board has approved an annual contribution of \$370,722 in the 2020 operating budget. Additional information regarding the Association's funding model may be found in the annually-prepared pro forma operating budget and/or the assessment and reserve funding disclosure summary.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacement of common property components. 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 not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the association has the right, subject to the constraints in its governing documents and California civil code, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

## **6. FASB ASC 606 New Accounting Guidance Implementation**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

See independent accountant's review report.

# The Barron Square Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2019

**FASB ASC 606 New Accounting Guidance Implementation (continued)**

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2019:

	At January 1, 2019		
	Operations Fund	Replacement Fund	Total
	Fund balance, as previously reported	\$ 106,676	\$ 1,165,975
Adjustment	-	(1,165,975)	(1,165,975)
Fund balance, as adjusted	\$ 106,676	\$ -	\$ 106,676

The effect of the adoption is a decrease in 2019 replacement fund assessments by \$243,593 and a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2019, of \$1,409,568. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported		Total	Effects of Applying New Guidance		As Reported
	Operations Fund	Replacement Fund*		Operations Fund	Replacement Fund*	
	<b>Liabilities</b>					
Contract						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ 1,409,568	\$ 1,409,568
Total Liabilities	51,706	-	51,706	51,706	1,409,568	1,461,274
<b>Fund Balances</b>						
Ending Fund						
Balances	\$ 81,454	\$ 1,409,568	\$ 1,491,022	\$ 81,454	\$ -	\$ 81,454

*\*Note that the ending Replacement Fund balance before adoption of the revenue recognition standard FASB ASC 606 equals the Contract liabilities (assessments received in advance-replacement fund) \$1,409,568 as presented on the Balance Sheet.*

See independent accountant's review report.

# The Barron Square Homeowners Association

Notes to Financial Statements  
for the Year Ended December 31, 2019

**FASB ASC 606 New Accounting Guidance Implementation (continued)**

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Amounts That Would Have Been Reported		Total	Effects of Applying New Guidance		As Reported
	Operations Fund	Replacement Fund		Operations Fund	Replacement Fund	
<b>Revenue</b>						
Member assessments	\$ 303,343	\$ 353,069	\$ 656,412	\$ 303,343	\$ 109,476	\$ 412,819
Excess (deficiency) of revenues over expenses	(25,222)	243,593	218,371	(25,222)	-	(25,222)
<b>Cash Flows</b>						
Excess (deficiency) of revenues over expenses	\$ (25,222)	\$ 243,593	\$ 218,371	\$ (25,222)	\$ -	\$ (25,222)
Increase in Contract liabilities	\$ -	\$ -	\$ -	\$ -	\$ 243,593	\$ 243,593

## 7. 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.

See independent accountant's review report.



# **The Barron Square Homeowners Association**

Notes to Financial Statements  
for the Year Ended December 31, 2019

## **8. Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 28, 2020, the date that the financial statements were available to be issued.

See independent accountant's review report.

## The Barron Square Homeowners Association

Supplementary Information on Future  
Major Repairs and Replacements  
December 31, 2019  
(Compiled Without Audit or Review)

In November 2019 a component study update, with no site-visit was completed by Reserve Analysis Consulting, LLC to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an annual component cost inflation rate of 3.00% and an interest rate of 2.00% earned on cash and investments on amounts funded for future major repairs and replacements.

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

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Signage	0-10	\$ 7,250
Paving and concrete	0-15	\$ 120,910
Fences, retaining walls and gates	0-19	\$ 204,296
Irrigation and landscaping	0-21	\$ 131,559
Lighting	0-27	\$ 70,950
Mailbox kiosks	0-17	\$ 16,200
Miscellaneous - grounds	0-7	\$ 6,800
Tennis court area	2-9	\$ 42,150
Swimming pool & spa	0-25	\$ 126,893
Clubhouse: interior / building exterior	(1)-45	\$ 253,424
Garage and trash enclosure	0-4	\$ 142,500
Residential building exteriors - stairs, landings, balconies	0	\$ 250,000
Building exterior - roofs	0-30	\$ 1,042,066
Residential building exteriors - repair / replace allowances	0-13	\$ 599,840
Painting and staining	3	\$ 250,000
Miscellaneous and contingency	0-20	\$ 107,000
	<b>TOTAL</b>	<b>\$ 3,371,838</b>
Estimated cash reserves necessary to repair, replace, restore, or maintain the major components (*) as of December 31, 2019		<b>\$ 1,972,000</b>
Replacement fund cash and investments at December 31, 2019		<b>\$ 1,363,168</b>
Contract liabilities balance at December 31, 2019		<b>\$ 1,409,568</b>
2020 Budgeted reserve contributions		<b>\$ 370,722</b>

\*Figure obtained from the Association's most recent component study update, with no site-visit prepared by Reserve Analysis Consulting, LLC. Detailed information can be found in that report, dated November 2019.

See independent accountant's review report.