

VanDerPol and Company

A Professional Accountancy Corporation

151 Kalmus Drive, #M-3A, Costa Mesa, California 92626

(714) 437-1025, FAX (714) 437-5900

February 27, 2025

Candlewood Estates Homeowners Association
c/o SoCal Property Enterprises, Inc.
1855 Sampson Avenue
Corona, California 92879

To the Board of Directors:

We have completed our review of your association's financial records for the year ended September 30, 2024. Enclosed you will find a "**DRAFT**" copy of the review report and representation letter which must be signed by two members of the Board of Directors, along with a representative of the management company.

As is standard within this industry, we will typically summarize and tentatively post material adjustments that we believe are necessary for the Association's year-end statements to be in accordance with Generally Accepted Accounting Principles (GAAP). Accounting standards require that the Board of Directors approve such adjustments since these are really the Association's records/statements-not the accountants'. These adjustments are attached to the enclosed client representation letter-which includes a statement that the Board approves these proposed adjustments. Additionally, you should also determine whether there are other necessary entries or adjustments that should be considered.

Please review these comments, adjustments, and the "draft" financial statements in their entirety and notify us of any comments and/or changes you may have. These "**DRAFT**" financial statements **should not** be sent to the owners. In addition, we would like to request a copy of the most recent internal financial statements so that we may review the subsequent activity to year end. If the draft of the financial statements is approved, please sign the representation letter and return it to our office. If we have received all requested items (bank confirmation, legal disclosure, etc.), upon receipt of the representation letter, we will issue the final report to be distributed to the members.

On behalf of our firm, it has been a pleasure providing service for Candlewood Estates Homeowners Association.

Sincerely,



VanDerPol and Company
A Professional Accountancy Corporation

Enclosures

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

DRAFT

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and the Owners
Candlewood Estates Homeowners Association

We have reviewed the accompanying financial statements of Candlewood Estates Homeowners Association, which comprise the balance sheet as of September 30, 2024, 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. 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 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement 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.

We are required to be independent of Candlewood Estates Homeowners Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion on the Financial Statements

Based on our review, we are 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.

Other Matter

A recent study of the Association's replacement funding program indicates that the Association is underfunded. Accordingly, it may be necessary to increase assessments, pass special assessment(s), or delay repair or replacement obligations 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 on page 13 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

VANDERPOL AND COMPANY
A Professional Accountancy Corporation

Costa Mesa, California

February 26, 2025

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2024
(UNAUDITED)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents [Note 8]	\$ 14,481	\$ 177,350	\$ 191,831
Member assessments receivable	945	--	945
Prepaid insurance	<u>11,858</u>	<u>--</u>	<u>11,858</u>
Total Assets	<u>\$ 27,284</u>	<u>\$ 177,350</u>	<u>\$ 204,634</u>
LIABILITIES			
Accounts payable	\$ 4,504	\$ --	\$ 4,504
Prepaid assessments	5,410	--	5,410
Contract liability [Note 4]	<u>--</u>	<u>177,316</u>	<u>177,316</u>
Total Liabilities	9,914	177,316	187,230
FUND BALANCES	<u>17,370</u>	<u>34</u>	<u>17,404</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,284</u>	<u>\$ 177,350</u>	<u>\$ 204,634</u>

See independent accountants' review report and accompanying notes to financial statements.

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments [Note 3]	\$ 216,950	\$ 182,270	\$ 399,220
Interest	--	34	34
Other income	2,285	--	2,285
Total Revenues	<u>219,235</u>	<u>182,304</u>	<u>401,539</u>
EXPENSES			
Utilities:			
Electricity	8,170	--	8,170
Water	39,127	--	39,127
Gas	1,125	--	1,125
Refuse	38,574	--	38,574
Telephone	1,895	--	1,895
Maintenance:			
Landscape maintenance and supplies	12,067	--	12,067
Irrigation repairs	1,738	--	1,738
Tree maintenance	--	10,360	10,360
Pool service, supplies and repairs	4,880	--	4,880
Janitorial service and supplies	16,999	--	16,999
Pest control	9,016	--	9,016
Gate repairs	2,921	--	2,921
Plumbing repairs	3,340	--	3,340
Roof repairs	4,848	167,596	172,444
Other common area maintenance	787	4,314	5,101
Administrative:			
Insurance	20,451	--	20,451
Management fees	22,680	--	22,680
Professional fees	2,194	--	2,194
Printing and postage expense	1,426	--	1,426
Other administrative expenses	1,528	--	1,528
Bad debt expense	373	--	373
Total Expenses	<u>194,139</u>	<u>182,270</u>	<u>376,409</u>
EXCESS OF REVENUES OVER EXPENSES	25,096	34	25,130
Beginning Fund Balances [Note 5]	<u>(7,726)</u>	<u>--</u>	<u>(7,726)</u>
Ending Fund Balances	<u><u>\$ 17,370</u></u>	<u><u>\$ 34</u></u>	<u><u>\$ 17,404</u></u>

See independent accountants' review report and accompanying notes to financial statements.

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities			
Excess of revenues over expenses	\$ 25,096	\$ 34	\$ 25,130
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:			
Decrease in member assessments receivable	1,173	--	1,173
Increase in prepaid insurance	(6,035)	--	(6,035)
Decrease in accounts payable	(4,353)	--	(4,353)
Decrease in prepaid assessments	(6,540)	--	(6,540)
Decrease in contract liability	<u>--</u>	<u>(105,270)</u>	<u>(105,270)</u>
Net increase/(decrease) in cash	9,341	(105,236)	(95,895)
Cash at beginning of year	<u>5,140</u>	<u>282,586</u>	<u>287,726</u>
Cash at end of year	<u><u>\$ 14,481</u></u>	<u><u>\$ 177,350</u></u>	<u><u>\$ 191,831</u></u>

See independent accountants' review report and accompanying notes to financial statements.

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1. ORGANIZATION

Candlewood Estates Homeowners Association [the Association] is a statutory homeowners association which was organized as a non-profit mutual benefit corporation in October 1984. The purpose of the Association is primarily to maintain, preserve and control the common areas of the Association. The Association consists of 70 residential units and is located in Whittier, California.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting - The books and records for the Association are maintained on a modified accrual basis of accounting. For these financial statements, adjustments have been made at September 30, 2024 to convert the Association's records to the full accrual basis of accounting. The tax returns are also reported on the accrual basis of accounting.

Capitalization Policy and Depreciation - In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. Replacements and improvements to the real property which are directly associated with the units are also not capitalized. They are instead charged directly to either the Operating Fund or the Replacement Fund in the period they are incurred.

Significant capital assets not directly associated with the units, referred to as personal property assets, are capitalized and depreciated over their estimated useful life using the straight-line method of depreciation. During the year ended September 30, 2024, there were no significant personal property additions.

Fund Accounting - The Association's accompanying financial statements have been prepared using fund accounting. Under this method of accounting, financial resources are separated into two categories, the Operating Fund and the Replacement Fund. Disbursements from the Replacement Fund generally may be made only for designated repair or replacement of major common area components. Disbursements from the Operating Fund are at the discretion of the Board of Directors and generally are for on-going repairs, maintenance, and administrative functions.

Investment Income - The Board's policy is to allocate interest earned on Replacement Fund cash accounts to the Replacement Fund, and to pay the related income taxes out of the Operating Fund.

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 and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 3. ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected.

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. ASSESSMENTS AND ASSESSMENTS RECEIVABLE – (CONTINUED)

Under the revenue recognition standard of ASC 606 [Note 5], the Association (an entity) has a performance obligation to the unit/unit owners (customers). The Association's approved annual Operating Fund budget establishes the maintenance, management, and administrative services that the Association is obligated to perform. These services can be bundled together as a single commercial objective and a single performance obligation. The budget establishes an implied contract price, and because these services are provided within an annual cycle, the respective Operating Fund assessments are considered revenue for the current period.

The performance obligations related to Replacement Fund assessments are satisfied when these financial resources are expended for their designated purpose.

For the year ended September 30, 2024, the Association's monthly assessment was \$350 per unit. For the fiscal year ending September 30, 2025, the monthly assessment has been raised to \$380 per unit.

Assessments receivable at September 30, 2024 represent assessments and other fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments, including filing of liens on the owner's unit, foreclosing on the unit owner, or obtaining judgment on other assets of the unit owner.

Under ASC 606, assessments and other fees that cannot be collected with certainty are now charged against the respective revenue rather than bad debt expense. Bad debt expense will still be used to account for uncollectible receivable balances that were recorded in prior periods.

NOTE 4. CONTRACT LIABILITY

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations which specifically pertains to Replacement Fund assessments. For the year ended September 30, 2024, the Association assessed and allocated \$77,000 to the Replacement Fund. The contract liability balance at the beginning of the year and end of the year was \$0 and \$177,316, respectively.

NOTE 5. REVENUE RECOGNITION

The Financial Accounting Standards Board (FASB) issued guidance in the Accounting Standards Codification (ASC) Topic 606 Revenue from Contracts with Customers. FASB ASC 606 is a revenue recognition standard that affects businesses that enter into contracts with customers to transfer goods and services, including public, private and non-public entities. The purpose of the standard is to eliminate variations in the way businesses across industries handle accounting for similar transactions. FASB ASC 606 went into effect for annual reporting periods beginning after December 15, 2018. FASB ASC 606 supersedes the revenue recognition requirements of FASB ASC 972-605 and most industry-specific revenue guidance in the FASB ASC, including the accounting guidance that Common Interest Realty Associations (CIRAs) followed in previous years.

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. REVENUE RECOGNITION – (CONTINUED)

The Association has adopted the guidance as of October 1, 2023, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to the beginning fund balance. Adoption of the guidance resulted in changes to our accounting policies for assessments and contract liability [discussed in Notes 3 and 4].

The adoption of the revenue recognition guidance resulted in the following change to beginning fund balances as of October 1, 2023:

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balances, as previously reported, at September 30, 2023	\$ (7,726)	\$ 282,586	\$ 274,860
Adjustment at October 1, 2023	--	(282,586)	(282,586)
Fund balances, as adjusted, at October 1, 2023	<u>\$ (7,726)</u>	<u>\$ --</u>	<u>\$ (7,726)</u>

The modified retrospective method of transition requires disclosure of the effect of applying the guidance on each item included in these financial statements. The following items that were affected on the balance sheet, the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended September 30, 2024 are as follows:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
BALANCE SHEET			
Liabilities			
Contract liability [Note 4]	\$ --	\$ 177,316	\$ 177,316
Total Liabilities	9,914	177,316	187,230
Fund Balances	194,720	(177,316)	17,404

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Revenues

Member assessments	\$ 293,950	\$ 105,270	\$ 399,220
Excess of revenues over expenses	(80,140)	105,270	25,130

STATEMENT OF CASH FLOWS

Excess of revenues over expenses	\$ (80,140)	\$ 105,270	\$ 25,130
Decrease in contract liability	--	(105,270)	(105,270)

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. REVENUE RECOGNITION – (CONTINUED)

The effect of the adoption is an increase in the 2023/2024 assessments of \$105,270 and a recorded contract liability at September 30, 2024 of \$177,316. The Association has no customer contract modifications that had an effect on the Association's transition to the guidance.

NOTE 6. REPLACEMENT FUNDING PROGRAM

In accordance with the Association's governing documents, which require that funds be accumulated for future major repairs and replacements, the Association has established certain amounts as reserves for future capital expenditures. Members' assessments relating to the replacement funding program are considered capital contributions from members' dues and as such are restricted in usage. Disbursements are to be made only if specifically approved by the Board of Directors.

An independent study of the Association's replacement funding program, which was conducted in June 2021, indicated that the Association is underfunded. Accordingly, the study recommended an annual contribution to the Replacement Fund of approximately \$84,753 (\$100.90 per unit per month). The study's recommendations were based on estimates of remaining useful lives, current replacement costs, and amounts accumulated in the Replacement Fund. For the year ended September 30, 2024, the Association funded \$77,000 from assessments to the Replacement Fund. The 2024/2025 budget includes a provision for replacement funding of \$102,469 (\$121.99 per unit per month). The table included in the unaudited supplementary information on future major repairs and replacements is based on the 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 may vary from the estimated amounts and the variations may be material. Therefore, amounts collected for replacement obligations 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 Association's governing documents, to pass special assessments, increase monthly assessments, or delay replacement until funds are available.

NOTE 7. INCOME TAXES

The Association may elect to file its federal income tax return as either a regular corporation [under Internal Revenue Code Section 277] or as a homeowners association [under Internal Revenue Code Section 528]. For the year ended September 30, 2024, the Association elected to file as a homeowners association, where generally the association is taxed only on income unrelated to membership dues and assessments [such as interest income less related expenses]. For California purposes, the Association also qualifies for tax exempt status as a homeowners association under California Revenue and Taxation Code Section 23701t and pays a tax of 8.84% on income not related to membership dues and assessments. For the year ended September 30, 2024, there was no federal or California income tax expense.

The Association utilizes the liability method of accounting for income taxes. Under the liability method deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Because there is no material difference between the financial accounting and tax basis of the Association's assets and liabilities, the Association has not recorded any deferred tax assets or liabilities.

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 7. INCOME TAXES – (CONTINUED)

The Association has adopted accounting standards for the accounting for uncertainty in income taxes. These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by an association. Management believes that all of the positions taken by the Association in its federal and state income tax returns are more likely than not to be sustained upon examination. The Association's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed; however, there are currently no audits in progress.

NOTE 8. SCHEDULE OF CASH BALANCES

Generally, certificates of deposit and other debt securities with original maturities less than 90 days are considered cash equivalents, while certificates of deposits and debt securities with maturities over 90 days are considered "investments."

At September 30, 2024, the Association maintained cash balances at the following institutions:

Operating Fund:

Enterprise Bank & Trust - checking	\$ 13,981
Petty cash	<u>500</u>
Total Cash - Operating Fund	<u>\$ 14,481</u>

Replacement Fund:

Wells Fargo Bank - checking with interest	<u>\$ 177,350</u>
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NOTE 9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

There were no cash payments for income taxes for the year ended September 30, 2024. No interest was paid and there were no non-cash investing or financing transactions during the year.

NOTE 10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 26, 2025, which is the date the financial statements were available to be issued.

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF SEPTEMBER 30, 2024
(UNAUDITED)

An independent reserve study was conducted in June 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The study was based upon representations by the Board of Directors and the experience and knowledge of the independent reserve analyst. The estimates were based on current replacement costs adjusted for an annual inflation rate of 2.0%. These estimates are used as a foundation in arriving at recommended funding requirements, based upon cash and investments which have been collected for future repairs and replacements, earning a yield on funds of 1.5%.

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

Common Area Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	Recommended Annual Funding Requirement	Study's Recommended Fund Balance
Roofs/decks	1-37 years	\$ 444,066	\$ 25,758	\$ 306,658
Painting	1-7 years	121,437	15,108	44,825
Wood repairs	10-33 years	7,577	379	3,789
Fences/gates/walls	3-22 years	170,814	6,911	93,640
Security equipment	4 years	1,500	188	750
Asphalt/concrete	1-9 years	99,531	8,681	70,582
Pool/spa	1-10 years	54,566	5,493	37,909
Plumbing	6 years	28,965	1,448	20,276
Irrigation	3-4 years	12,937	762	10,501
Landscape	3 years	9,290	619	7,432
Tree maintenance	1 year	18,524	5,982	18,155
Lighting	4-17 years	13,481	693	3,461
Mailboxes	25 years	7,770	259	1,295
Doors	10-17 years	97,365	3,048	58,285
Termite treatment/repairs	7 years	84,904	5,341	47,516
Marquees	4 years	700	47	513
Contingency	N/A years	58,671	4,036	36,280
	Total	<u>\$ 1,232,098</u>	<u>\$ 84,753</u>	<u>\$ 761,867</u>
The accumulated contract liability and Replacement Fund balance at 9/30/24:				<u>\$ 177,350</u>

Representation Letter

February 26, 2025

VanDerPol and Company
A Professional Accountancy Corporation
151 Kalmus Drive, #M-3A
Costa Mesa, California 92626

We are providing this letter in connection with your review of the financial statements of Candlewood Estates Homeowners Association, which comprise the balance sheet as September 30, 2024, 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, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of February 26, 2025, the following representations made to you during your review.

1. We have fulfilled our responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, as set out in the terms of the engagement.
2. We have made available to you all—
 - a. Financial records and related data.
 - b. Minutes of the meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board members, directors, and committees of directors.
 - c. Additional information you have requested from us for the purpose of the review.
 - d. Unrestricted access to Association personnel from whom you determined it necessary to obtain review evidence.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. All material transactions have been recorded and have been properly reflected in the financial statements.
5. The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
6. We are in agreement with the adjusting journal entries, if any, you have proposed.

7. We acknowledge and have fulfilled our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
8. We acknowledge our responsibility for designing, implementing, and maintaining internal control to prevent and detect fraud.
9. We have no knowledge of any fraud or suspected fraud affecting the Association involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements, including any communications received from employees, former employees, or others.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
11. Revenue from contracts with customers has been appropriately accounted for and disclosed in accordance with FASB ASC 606, Revenue from Contracts with Customers. The underlying revenue recognized in the financial statements from all contracts have commercial substance and have been approved by appropriate parties. We have sufficient and appropriate documentation (through the budget) supporting all estimates and judgments supporting the amount and timing of revenue recognized in the financial statements.
12. We have adopted FASB ASC 606 beginning October 1, 2023. We have implemented the new accounting standard(s) in accordance with the transition guidance. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amounts recorded and disclosed in the financial statements.
13. The following have been properly recorded or disclosed in the financial statements:
 - a. Related-party transactions and related accounts receivable or payable, including member assessments, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b. Guarantees, whether written or oral, under which the Association is contingently liable to a bank or other lending institutions.
 - c. Commitments to purchase or sell investments or agreements to repurchase assets previously sold.
 - d. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*.
14. There are no transfers or designations of fund balance or interfund borrowings that were not properly authorized and approved or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.
15. There are no—
 - a. Known or suspected instances of noncompliance with laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Known actual or possible claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, *Contingencies*.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

16. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
17. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
18. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
19. We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
20. The board of directors is collecting funds for future major repairs and replacements in conformity with Candlewood Estates Homeowners Association's policy to fund for those needs based on a study conducted in June 2021. The board of directors believes the funds will adequately provide for future major repairs and replacements.
21. The board of directors has reviewed the Association's insurance coverage for the current year and believes it is adequate.
22. No events have occurred subsequent to the date of the Association's financial statements and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements.
23. We have responded fully and truthfully to all inquiries made to us by you during your review.
24. We understand that management is responsible for the Association's choice of filing [Form 1120 OR Form 1120-H] and the consequences thereof.
25. In regards to the financial statement preparation (including cash-to-accrual conversions, if applicable) and tax services performed by you, we have:
 - a. Assumed all management responsibilities.
 - b. Overseen the services by designating an individual who possesses suitable skill, knowledge, and/or experience.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.

Sincerely,

Managing Representative

President

Treasurer

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
PROPOSED REVIEW ADJUSTMENTS
SEPTEMBER 30, 2024

J.E. #	W/P	Description	Debit	Credit
1	prior year's	Bad debt expense		1,926
		Insurance	5,823	
		Electricity		959
		Gas		202
		Water		2,844
		Landscape service		960
		Gate repairs		250
		Janitorial service		1,400
		Pest control		892
		Pool and spa		935
		Other common area repairs		415
		Roof repairs		826
		Equity	5,786	
		(to record prior year's review adjustments)		
2	WTB	Equity		213
		Phone	213	
		(to record mgmt's adjustment to equity)		
3	D-100	Prepaid insurance	11,858	
		Insurance		11,858
		(to record prepaid insurance)		
4	O-100	Electricity	789	
		Water	3,250	
		Gas	5	
		Pest control	460	
		Accounts payable - operating		4,504
		(to record accounts payable)		
5	A-20	Gate repairs	360	
		Pool equipment repair	630	
		Plumbing repair	335	
		Other common area		1,325
		(to reclass P&L items)		

prepared by KT 1/21/25
reviewed by CV 2/26/25

CANDLEWOOD ESTATES HOMEOWNERS ASSOCIATION
PROPOSED REVIEW ADJUSTMENTS
SEPTEMBER 30, 2024

J.E. #	W/P	Description	Debit	Credit
6	WTB	Replacement fund balance: beginning of year	282,586	
		Assessments - reserves		105,270
		Contract liability - reserves		177,316
		(to record contract liability per ASC 606)		
			\$ 312,095	\$ 312,095