

NEWPORT HILLS COMMUNITY ASSOCIATION

1900 PORT CARLOW PLACE • NEWPORT BEACH • CALIFORNIA • 92660

PHONE (949) 721-1929 • WWW.NEWPORTHILLSHOA.COM

Date: April 17, 2023

To: Newport Hills Community Association Members

From: Newport Hills Community Association
Board of Directors

RE: Request for Annual Notice of Address (Civil Code 4041)
2022 Fiscal Year-End Audit

The Newport Hills Community Association year-end audited financial statements for the fiscal year ended December 31, 2022, as completed by Owens, Moskowitz and Associates, Inc. are available for your review. There are three ways that you can review the audit:

1. Visit www.newporthillshoa.com, click on the "2022 NHCA Audit" tab on the home page of the website.
2. Obtain a hard copy of the audit at the association's expense. Please call (949) 721-1929, email to jill@newporthills.occoxmail.com, or visit the Newport Hills Clubhouse, 1900 Port Carlow Place, Newport Beach to request your copy.
3. View a hard copy of the 2022 Audit at the bulletin board in the pool area.

In addition, in accordance with the Civil Code Section 4041, enclosed please find a Request for Annual Notice of Address, Representative and Rental Status. Please complete and return this form if you wish to make changes to the existing mailing addresses the Association has on file for you. **If the association has your accurate contact information and there are no changes, you may dispose of the form.**

Should you have any questions regarding this notice of the enclosed information please contact the Association office at (949) 721-1929 or attend a Board of Directors Meeting.

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Request for Annual Notice of Address, Representative and Rental Status Civil Code, Section 4041

Civil Code, Section 4041 requires each owner of a separate interest to provide written notice to the Association of all the following information annually. Please provide the information in the form below and return the completed form to the Association within 30 days.

1. The address or addresses to which notices from the Association are to be delivered. **If you fail to return this form then, by statute, the address of your Newport Hills property is the address to which notices from the Association will 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 from the separate interest.

4. Is the separate interest – (check one)

<input type="checkbox"/>	Owner-occupied?
<input type="checkbox"/>	Rented out?
<input type="checkbox"/>	Developed, but vacant?
<input type="checkbox"/>	Undeveloped?

5. Member Name: _____

Property Address: _____

Optional Phone #: _____

Optional E-Mail: _____

Please return this completed form, **only if you have changes to the contact information already on file with the Association**, within the next 30 days, to the Association office, NHCA, 1900 Port Carlow Place, Newport Beach, CA 92660, or by email to jill@newporthills.occoxmail.com. Information submitted is for the sole use of the Association and will not be shared or sold, except as required by law.

NEWPORT HILLS COMMUNITY ASSOCIATION

Audited Financial Statements

For The Year Ended December 31, 2022

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OWENS, MOSKOWITZ AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER:
CALIFORNIA SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Newport Hills Community Association

Opinion

We have audited the accompanying financial statements of Newport Hills Community Association (a California corporation), which comprise the balance sheet as of December 31, 2022, and the related statements of revenue, expenses and association funds, 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 Newport Hills Community Association as of December 31, 2022, 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 Newport Hills 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.

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 Newport Hills 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 the 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 judgment 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 Newport Hills 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Newport Hills 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 the information on future major repairs and replacements of common property on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have 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 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.

Owens, Moskowitz and Associates, Inc.

Owens, Moskowitz and Associates, Inc.

March 15, 2023

NEWPORT HILLS COMMUNITY ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2022

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash	\$ 570,785	\$ 997,675	\$ 1,568,460
Short-Term Investments	-	642,550	642,550
Assessments Receivable	1,953	-	1,953
Interest Receivable	-	128	128
Prepaid Insurance	8,719	-	8,719
Due From/(Due To) Other Funds	<u>114,728</u>	<u>(114,728)</u>	<u>-</u>
Total Assets	<u>\$ 696,185</u>	<u>\$ 1,525,625</u>	<u>\$ 2,221,810</u>
LIABILITIES AND ASSOCIATION FUNDS			
Liabilities			
Accounts Payable	\$ 20,359	\$ -	\$ 20,359
Prepaid Assessments	225,009	-	225,009
Architectural Deposits	217,689	-	217,689
Deferred Assessments (Assessments Received In Advance - Replacement Fund)	-	1,525,625	1,525,625
Income Taxes Payable	<u>5,187</u>	<u>-</u>	<u>5,187</u>
Total Liabilities	468,244	1,525,625	1,993,869
Commitments	-	-	-
Association Funds	<u>227,941</u>	<u>-</u>	<u>227,941</u>
Total Liabilities And Association Funds	<u>\$ 696,185</u>	<u>\$ 1,525,625</u>	<u>\$ 2,221,810</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

NEWPORT HILLS COMMUNITY ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND ASSOCIATION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUE			
Assessments	\$ 573,640	\$ 63,378	\$ 637,018
Price Adjustment - Bad Debt Recovery	653	-	653
Interest Income	-	19,104	19,104
Swim Program Income	11,960	-	11,960
Clubhouse/Recreation Center Rental	25,250	-	25,250
Swim Team Collection	228,419	-	228,419
Other Income	11,496	-	11,496
Total Revenue	851,418	82,482	933,900
EXPENSES			
Landscape Maintenance	105,971	11,920	117,891
Management Fees	80,000	-	80,000
Administrative	21,211	-	21,211
Legal And Audit	9,181	-	9,181
Insurance	26,047	-	26,047
Pool	29,682	4,240	33,922
Rubbish Collection	6,531	-	6,531
Pest Control	975	-	975
Telephone/Cable/Internet	8,302	-	8,302
Painting	-	4,250	4,250
General Maintenance	17,238	46,870	64,108
Reserve Study	1,275	-	1,275
Gas	64,526	-	64,526
Electricity	28,903	-	28,903
Water	36,270	-	36,270
Clubhouse Security	86,502	-	86,502
Alarm/Cameras	3,185	-	3,185
Custodial	31,964	-	31,964
Swim Team Expenses	228,340	-	228,340
Clubhouse/Pool Management	27,934	-	27,934
Fence	-	10,902	10,902
Payroll and Related Expenses	21,201	-	21,201
Lighting and Electrical	4,970	4,300	9,270
Income Tax	5,350	-	5,350
Total Expenses	845,558	82,482	928,040
Excess of Revenue Over Expenses	5,860	-	5,860
Association Funds Balance Beginning of Year	222,081	-	222,081
Association Funds Balance End of Year	\$ 227,941	\$ -	\$ 227,941

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

NEWPORT HILLS COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash Flows From Operating Activities:			
Cash Received From Members	\$ 857,435	\$ 197,760	\$ 1,055,195
Cash Paid To Suppliers of Goods And Services	(832,717)	(82,482)	(915,199)
Architectural Deposits Returned	(104,447)	-	(104,447)
Interest Received	-	19,017	19,017
Income Taxes Paid	800	-	800
Net Cash Provided By (Used In) Operating Activities	(78,929)	134,295	55,366
Cash Flows From Investing Activities:			
Purchase of Short-Term Investments	-	(142,677)	(142,677)
Cash Flows From Financing Activities:			
Interfund Borrowings	(25,597)	25,597	-
Net Increase (Decrease) In Cash And Cash Equivalents	(104,526)	17,215	(87,311)
Cash And Cash Equivalents At Beginning of Year	675,311	980,460	1,655,771
Cash And Cash Equivalents At End of Year	\$ 570,785	\$ 997,675	\$ 1,568,460

RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Excess of Revenue Over Expenses	\$ 5,860	\$ -	\$ 5,860
Adjustments To Reconcile Excess of Revenue Over Expenses To Net Cash Provided By Operating Activities:			
Change In Assessments Receivable	(1,494)	-	(1,494)
Change In Interest Receivable	-	(87)	(87)
Change In Prepaid Insurance	(815)	-	(815)
Change In Prepaid Taxes	963	-	963
Change In Accounts Payable	8,306	-	8,306
Change In Deferred Assessments	-	134,382	134,382
Change In Prepaid Assessments	7,511	-	7,511
Change In Architectural Deposits	(104,447)	-	(104,447)
Change In Income Tax Payable	5,187	-	5,187
Net Cash Provided By (Used In) Operating Activities	\$ (78,929)	\$ 134,295	\$ 55,366

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

NEWPORT HILLS COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 NATURE OF ORGANIZATION

Newport Hills Community Association was incorporated on April 13, 1970, in the state of California. It is responsible for the operation and maintenance of the common property within the development, which is located in the city of Newport Beach, California. The development consists of 532 residential units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The books of Newport Hills Community Association are maintained on the modified cash basis of accounting with entries made to convert them to the accrual basis for audit and tax purposes.

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 - | This fund is used to account for financial resources available for the general operations of the Association. |
| Replacement fund - | This fund is used to accumulate financial resources designated for future major repairs and replacements. |

Deferred Assessments (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. Deferred assessments (assessments received in advance-replacement fund) are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The activity in deferred assessments (assessments received in advance-replacement fund) during 2022 was as follows:

Deferred Assessments, at January 1, 2022	\$ 1,391,243
Assessments Budgeted for Replacement Reserve	197,760
Revenue Released to Match Reserve Expenses	<u>(63,378)</u>
Deferred Assessments, at December 31, 2022	\$ <u>1,525,625</u>

Cash Equivalents and Short-term Investments

Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

The Association maintains bank accounts at various financial institutions. During the course of the year, the accounts may fluctuate over the FDIC insured amount.

SEE INDEPENDENT AUDITORS' REPORT

NEWPORT HILLS COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments

Association members are subject to semi-annual 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 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. 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 the properties of homeowners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2022, the Association had delinquent assessments of \$1,953. 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 uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year were \$459 and \$1,953, respectively.

Property and Equipment

Real property and common areas acquired by the original homeowners from the developer are owned by the individual owners in common and are not capitalized on the Association's financial statements.

Replacements and improvements to the real property and common areas also belong to the owners and are not capitalized on the Association's financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This guidance represents a significant change in the accounting model for credit losses by requiring immediate recognition of management's estimates of "current expected credit losses". Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The new model is applicable to all financial instruments that are not accounted for at fair value through net income, thereby bringing consistency in accounting treatment across different types of financial instruments and requiring consideration of a broader range of variables when forming loss estimates. Although this change affects any entity holding financial instruments (ie: trade receivables or investments in debt securities) the financial services industry by its nature bears the most exposure. The effect of adoption of this standard will be to accelerate the recognition of credit losses. The effective date of this standard is for years beginning after December 15, 2023, with early adoption allowed. We do not plan an early adoption of this standard.

Use of Estimates

The Association uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

SEE INDEPENDENT AUDITORS' REPORT

NEWPORT HILLS COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

NOTE 3 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 accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund. Since the actual costs are dependent upon the frequency of occurrence and future costs, there is no assurance that this fund is adequate.

A study of the Association's funding program for the replacement of Association common areas, projected to December 31, 2022, indicates the Association's ideal cash replacement fund balance was \$ 1,648,216 at that date. The study recommends a 2023 contribution to the replacement fund of \$ 213,212 (\$ 33.40 per owner per month). The 2023 budgeted contribution is \$ 185,301.

The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions. If actual replacement costs exceed funds available, or where replacement of common areas is necessary where no fund has been previously established, the Association has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.

NOTE 4 INCOME TAXES

The Association is a corporation that is potentially taxable on all of its net income, including unspent member assessments. However, under state and federal filing elections, the Association may choose to be taxed only on its net non-membership income, which includes interest income.

The State of California allows qualifying homeowner associations to file an election to be taxed under special rules. Under this election, income from members (such as assessments) is exempt from taxation.

Federal law offers a similar election, which must be made annually. However, net non-membership income under this election is taxed at a flat rate of 30%. If the Association chooses to file as a regular corporation, it may still exclude from taxation its net membership income by making certain elections. Tax at the regular corporate tax rate is generally lower. Some of these elections, however, have come under IRS attack and certain issues are yet to be clarified. In 2022, the Association filed as an exempt association.

Regardless of how the Association files its taxes, non-membership income (interest) may not be offset with membership expenses (such as common area maintenance costs). That is why the Association's taxable income can be greater than its net income as recorded in the financial statements.

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 IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2022, 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; however, there are currently no audits in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2018.

Federal and California income taxes have been accrued based on the taxable portion of the income reported in the accompanying financial statements.

SEE INDEPENDENT AUDITORS' REPORT

NEWPORT HILLS COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

NOTE 4. INCOME TAXES (Continued)

Income taxes for the current year were:

2022 INCOME TAXES

	FEDERAL	STATE TAX	STATE FEE	TOTAL
Income Taxes	\$ 3,758	\$ 1,592	\$ -	\$ 5,350
Less: Credit from prior year return	-	(163)	-	(163)
Income tax payable	\$ 3,758	\$ 1,429	\$ -	\$ 5,187

NOTE 5. ASSESSMENTS

During 2022, assessments were billed at a rate of \$ 725 per unit semi-annually. The rate is budgeted to remain at \$ 725 per unit semi-annually for 2023.

NOTE 6. RELATED PARTY TRANSACTIONS

During 2022, the Association's on-site manager paid for miscellaneous maintenance, administrative expenses and reserve expenses on behalf of the Association and received total reimbursements of \$6,356.

During 2022, the Association's clubhouse and pool manager paid for miscellaneous maintenance and administrative expenses on behalf of the Association and received total reimbursements of \$1,817.

Beach & Bay Lighting is owned by the Association's clubhouse/pool manager. During 2022, the Association used this vendor for holiday decoration. The Association paid the vendor \$ 3,000 during the year.

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. CONTINGENCY

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic. As a result, economic uncertainties have arisen that may adversely affect the Association. However, the financial impact, if any, cannot be reasonably estimated at this time.

NOTE 9. SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2022, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 15, 2023, which is the date on which the financial statements were issued.

SEE INDEPENDENT AUDITORS' REPORT

SUPPLEMENTAL INFORMATION

NEWPORT HILLS COMMUNITY ASSOCIATION
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
DECEMBER 31, 2022
(UNAUDITED)

The board of directors contracted an independent consultant who conducted a August 26, 2022 study, projected to December 31, 2022 , to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements include an inflation factor of 2.5% and an interest rate of 1%.

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

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	2023 Funding Requirement	Recommended Fund Balances
Roofs	2 years	\$ 90,070	\$ 6,173	\$ 81,282
Painting	0 to 2 years	84,873	20,356	74,020
Lighting	5 to 22 years	58,050	3,949	19,551
Fencing/Walls	0 to 11 years	373,718	23,932	304,714
Pool/Pool Area/Wader	0 to 15 years	561,871	49,308	329,549
Clubhouse	0 to 18 years	568,312	45,270	270,661
Grounds	0 to 15 years	777,880	57,118	517,333
Guardhouse	0 to 1 year	3,700	783	3,100
Contingency	n/a	-	6,324	48,006
		<u>\$ 2,518,474</u>	<u>\$ 213,212</u>	<u>\$ 1,648,216</u>

As shown above, the study recommends a cash replacement balance of \$1,648,216 as of December 31, 2022 and contributions to reserves of \$213,212 during 2023. The Association's total replacement fund total assets at December 31, 2022 were \$1,525,625 or 92.56% of the recommended balance.

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION