



MEMORANDUM

DATE: April 30, 2025
TO: The Membership
FROM: Board of Directors
RE: Newport Coast Community Association 2024 Financial Audit

Enclosed for your review are the following documents:

- Year-end financial statements for Newport Coast Community Association
- Annual Homeowner Disclosure Form

Civil Code requires that the Association engage a Certified Public Accountant to perform an audit or review of the financial statements for any fiscal year in which the gross income of the Association exceeds \$75,000.

A list of the names and addresses of the current members is located at the Association's managing office.

Should you have any questions regarding the enclosed information, please feel free to contact Brian Renaud of FirstService Residential at 949.448.6090 or brian.renaud@fsresidential.com.

NEWPORT COAST COMMUNITY ASSOCIATION
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NEWPORT COAST COMMUNITY ASSOCIATION

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VanDerPol and Company

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Owners
Newport Coast Community Association

Opinion

We have audited the accompanying financial statements of Newport Coast Community Association, which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newport Coast Community Association as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Coast 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 Coast 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, including omissions, 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 Coast 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 Coast 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 information on future major repairs and replacements of common property on pages 15-16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Van Der Pol and Company

VANDERPOL AND COMPANY
A Professional Accountancy Corporation

Costa Mesa, California

March 30, 2025

NEWPORT COAST COMMUNITY ASSOCIATION
BALANCE SHEET
AS OF DECEMBER 31, 2024

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents [Note 2]	\$ 971,559	\$ 1,835,080	\$ 2,806,639
Member assessments receivable, less allowance for doubtful accounts of \$209,000	60,582	--	60,582
Investments [Note 8]	557,058	6,421,519	6,978,577
Fixed assets, less accumulated depreciation of \$51,100	86,553	--	86,553
Accrued interest receivable	73,771	--	73,771
Other receivables	9,655	--	9,655
Prepaid expenses	11,703	--	11,703
Prepaid taxes	21,015	--	21,015
Due (to)/from fund	(42,722)	42,722	--
	<u>\$ 1,749,174</u>	<u>\$ 8,299,321</u>	<u>\$ 10,048,495</u>
Total Assets			
LIABILITIES			
Accounts payable	\$ 417,842	\$ --	\$ 417,842
Prepaid assessments	175,653	--	175,653
Refundable deposits	5,000	--	5,000
Contract liability [Note 4]	--	7,870,187	7,870,187
	<u>598,495</u>	<u>7,870,187</u>	<u>8,468,682</u>
Total Liabilities			
FUND BALANCES	<u>1,150,679</u>	<u>429,134</u>	<u>1,579,813</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,749,174</u>	<u>\$ 8,299,321</u>	<u>\$ 10,048,495</u>

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

NEWPORT COAST COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Master Association assessments [Note 3]	\$ 2,341,825	\$ 145,023	\$ 2,486,848
Pelican Hill Gate assessments [Note 3]	673,224	50,994	724,218
Ocean Ridge Gate assessments [Note 3]	917,490	27,186	944,676
Pelican Crest Gate assessments [Note 3]	592,152	34,803	626,955
Coastal Canyon assessments [Note 3]	433,548	106,529	540,077
Ocean Heights Gate assessments [Note 3]	751,544	152,814	904,358
Interest	444,924	--	444,924
Bad debt recovery	42,580	--	42,580
Other income	65,604	--	65,604
	<u>6,262,891</u>	<u>517,349</u>	<u>6,780,240</u>
EXPENSES			
Utilities (separately scheduled)	204,269	--	204,269
Maintenance (separately scheduled)	479,141	--	479,141
Landscape maintenance (separately scheduled)	658,389	--	658,389
Parks (separately scheduled)	878,825	--	878,825
Gate attendants	2,789,292	--	2,789,292
Insurance	67,089	--	67,089
Management fees	121,736	--	121,736
Income taxes [Note 7]	9,742	--	9,742
Administrative (separately scheduled)	343,955	--	343,955
Depreciation expense	20,440	--	20,440
Replacement fund (separately scheduled)	--	517,349	517,349
	<u>5,572,878</u>	<u>517,349</u>	<u>6,090,227</u>
EXCESS OF REVENUES OVER EXPENSES			
	690,013	--	690,013
Beginning Fund Balances	<u>460,666</u>	<u>429,134</u>	<u>889,800</u>
Ending Fund Balances	<u>\$ 1,150,679</u>	<u>\$ 429,134</u>	<u>\$ 1,579,813</u>

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

NEWPORT COAST COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities			
Excess of revenues over expenses	\$ 690,013	\$ --	\$ 690,013
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:			
Depreciation expense	20,440	--	20,440
Increase in member assessments receivable	(14,118)	--	(14,118)
(Increase)/decrease in accrued interest receivable	(62,915)	71,094	8,179
Decrease in other receivables	3,537	--	3,537
Increase in prepaid taxes	(21,015)	--	(21,015)
Decrease in prepaid expenses	416	--	416
Increase/(decrease) in accounts payable	41,521	(75,982)	(34,461)
Increase in prepaid assessments	17	--	17
Decrease in refundable deposits	(16,700)	--	(16,700)
Decrease in income taxes payable	(16,429)	--	(16,429)
Increase in contract liability	--	260,867	260,867
Change in due to/(from) fund	<u>(200,024)</u>	<u>200,024</u>	<u>--</u>
Net cash provided by operating activities	<u>424,743</u>	<u>456,003</u>	<u>880,746</u>
Cash flows from investing activities			
Maturity of certificates of deposit	250,000	2,620,000	2,870,000
Acquisition of U.S. Treasury bills	(141,028)	(4,746,865)	(4,887,893)
Maturity of U.S. Treasury bills	--	2,519,000	2,519,000
Amortized discount on U.S. Treasury bills	<u>(1,030)</u>	<u>(66,807)</u>	<u>(67,837)</u>
Net cash provided by investing activities	<u>107,942</u>	<u>325,328</u>	<u>433,270</u>
Net increase in cash	532,685	781,331	1,314,016
Cash at beginning of year	<u>438,874</u>	<u>1,053,749</u>	<u>1,492,623</u>
Cash at end of year	<u>\$ 971,559</u>	<u>\$ 1,835,080</u>	<u>\$ 2,806,639</u>

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

NEWPORT COAST COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. ORGANIZATION

Newport Coast Community Association is a statutory homeowners association which was organized as a non-profit corporation in May 1991. The purpose of the Association is primarily to maintain, preserve and control the defined common areas of the Association. The Association includes 1,638 residential units spread among 20 separate sub-divisions. Additionally, because of the Association's responsibility to maintain common area gates which surround certain projects, the developer established five major gate costs centers within the Association: the Ocean Ridge Gate Cost Center (Pelican Ridge Community, Pelican Ridge Estates and Pelican Ridge Maintenance), the Pelican Hill Gate Cost Center, the Pelican Crest Gate Cost Center, the Coastal Canyon Gate Cost Center, and the Ocean Heights Gate Cost Center. As of December 31, 2024, there were 210 units within the Ocean Ridge gates, 146 units within the Pelican Hill gates, 165 units within the Pelican Crest gates, 111 units within the Coastal Canyon gates, and 206 units within the Ocean Heights gates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting - The books and records for the Association are maintained on the modified accrual basis of accounting. For these financial statements, adjustments have been made at December 31, 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 December 31, 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 Operating Fund and Replacement Fund cash and investment accounts to the Operating 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.

Cash and Cash Equivalents - 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."

NEWPORT COAST COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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.

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 December 31, 2024, the Association's monthly assessment was \$138 per unit. Additionally, homeowners residing within a gate cost center also paid an additional assessment, based upon the respective gate cost center's budget, for related costs and maintenance of the gate cost centers.

For the year ending December 31, 2025, the Association's monthly master assessment has been raised to \$142 per unit. Homeowners residing within a gate cost centers will continue to pay an additional assessment in accordance with the respective cost center budget requirements.

Assessments receivable at December 31, 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. At December 31, 2024, the Association has recorded an allowance for uncollectible assessments of \$209,000. This allowance represents an estimated amount which was calculated using historical collection information.

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. For the year ended December 31, 2024, assessment income and late charges and related revenue was reduced by \$21,381 and \$9,199, respectively, for this change in accounting. 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 December 31, 2024, the Association assessed and allocated \$349,404 from the Master and \$428,812 from the Cost Centers to the Replacement Fund. The contract liability balance at the beginning of the year and end of the year was \$7,609,320 and \$7,870,187, respectively.

NEWPORT COAST COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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.

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.

Independent studies of the Newport Coast Master Association, Coastal Canyon Gate Cost Center, Ocean Ridge Gate Cost Center, Ocean Heights Gate Cost Center, Pelican Hill Gate Cost Center, and Pelican Crest Gate Cost Center replacement funding programs were conducted in 2024. Accordingly, the studies recommend a cumulative contribution to the Replacement Fund of approximately \$880,824 for 2025. The studies' recommendations were based on estimates of remaining useful lives, current replacement costs, and amounts accumulated in the Replacement Fund. For the year ended December 31, 2024, the Association provided a cumulative contribution (from assessments) to the Replacement Fund of \$778,216. The 2025 budgets include the studies' recommended amounts for replacement funding. The table included in the unaudited supplementary information on future major repairs and replacements is based on the studies.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the studies' 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 has been granted tax exempt status under the Internal Revenue Code Section 501(c)(4) and therefore is subject to income tax only on income unrelated to its exempt purpose. For California purposes, the Association 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 December 31, 2024, the federal and California income tax expense was \$0 and \$9,742, respectively.

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.

NEWPORT COAST COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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.

NOTE 8. INVESTMENTS

The Association's investments consist of certificates of deposit, United States Treasury bills and United States Treasury notes with original maturities over 90 days. Investment income from these investments is recorded when earned or accrued. The investments are considered to be held to maturity and are carried at adjusted cost, which approximates the fair value. At December 31, 2024, the Association's investments in certificates of deposit totaled \$820,000. These investments have remaining maturity dates ranging from one to four months and interest rates ranging from 4.50% to 4.80%. The investments in United States Treasury bills and United States Treasury notes totaled \$6,158,577, which includes an unamortized discount of \$32,423.

NOTE 9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes amounted to \$48,000 for the year ended December 31, 2024. No interest was paid and there were no non-cash investing or financing transactions during the year.

NOTE 10. CONCENTRATION OF RISK

At December 31, 2024, the Association maintained funds at one financial institution whereby the cumulative balances on account exceeded the FDIC insurance limits of \$250,000. However, the Association has obtained separate bond insurance for this institution for amounts in excess of the FDIC coverage, thereby eliminating the risk of uninsured funds.

NOTE 11. LEGAL

In January 2024, the Association filed a lawsuit against the City of Newport Beach alleging various causes of action related to the property maintenance agreement of certain landscaped areas in the Association. A jury trial is scheduled for October 27, 2025. As this matter is pending, an outcome cannot be determined at this time.

From time to time, the Association is involved in legal proceedings arising in the ordinary course of enforcing the Association's rules and regulations. The extent of any future liability is currently unknown. Accordingly, the accompanying financial statements do not include a provision for any such liability.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2025, which is the date the financial statements were available to be issued.

NEWPORT COAST COMMUNITY ASSOCIATION
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

UTILITIES:

Water	\$ 122,720
Electricity	67,844
Telephone	<u>13,705</u>
Total	<u><u>\$ 204,269</u></u>

MAINTENANCE:

Other common area maintenance and repairs	\$ 153,839
Security system	82,412
Lighting maintenance and supplies	76,447
Janitorial service and supplies	50,112
Access gates	43,332
Pest control	35,729
Power washing and maintenance	29,539
Gate cards/passes	<u>7,731</u>
Total	<u><u>\$ 479,141</u></u>

LANDSCAPE:

Landscape maintenance and supplies	\$ 407,506
Tree maintenance	94,548
Landscape miscellaneous	72,456
Irrigation repairs	39,697
Landscape replacements	29,287
Landscape consultant	<u>14,895</u>
Total	<u><u>\$ 658,389</u></u>

ADMINISTRATIVE:

Postage and printing	\$ 118,270
Professional fees	99,275
Miscellaneous administrative	40,929
Gate programs	39,000
Website/internet	30,409
Social/recreation	13,072
Consultant services	<u>3,000</u>
Total	<u><u>\$ 343,955</u></u>

See independent auditor's report and accompanying notes to financial statements.

NEWPORT COAST COMMUNITY ASSOCIATION
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

PARKS:

Staffing and pool monitors	\$ 524,376
Janitorial service and supplies	112,753
Pool and area service, towels, supplies	102,390
Gas	38,435
Other park expenses	33,389
Office supplies and related	20,345
Powerwashing and maintenance	13,731
Internet	12,619
Telephone	10,524
Light maintenance	7,896
Access systems/fences	<u>2,367</u>
Total	<u><u>\$ 878,825</u></u>

REPLACEMENT FUND:

Access gates	\$ 116,835
Fence/gate work	115,351
Irrigation	110,984
Landscape	49,156
Surveillance/camera systems	44,641
Guardhouses	26,180
Lighting/electrical repairs	21,892
Plumbing	6,605
Painting	4,710
Golf cart repairs	4,686
Signs	4,602
Heating and cooling	4,198
Street striping	3,995
Clubhouse	2,871
Pool furnishings	<u>643</u>
Total	<u><u>\$ 517,349</u></u>

See independent auditor's report and accompanying notes to financial statements.

NEWPORT COAST COMMUNITY ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF DECEMBER 31, 2024
(UNAUDITED)

Independent reserve studies were conducted in 2024 to estimate the remaining useful lives and the replacement costs of the components of common property for Newport Coast Community Association, Pelican Hill Gate Cost Center, Ocean Ridge Gate Cost Center, Pelican Crest Gate Cost Center, Coastal Canyon Gate Cost Center, and Ocean Heights Gate Cost Center. The studies were based upon the experience and knowledge of the independent reserve analyst. The estimates were based on current replacement costs adjusted for an annual inflation rate of 4.0%. These estimates are used as a foundation in arriving at recommended funding requirements, based upon cash and investments which have been allocated for future repairs and replacements, earning a yield on investments of 4.0%. The following table is based on these studies and presents significant information about the components of common property.

Common Area Component	Estimated Remaining Useful Lives	Current Replacement Costs	2025 Recommended Funding Requirement	Study's Recommended Fund Balance
Newport Coast:				
Asphalt/concrete	0-16 years	\$ 286,000	\$ 19,709	\$ 112,320
Clubhouse	1-20 years	854,884	68,569	448,767
Fences/gates/walls	3-20 years	507,672	30,280	233,397
Irrigation	0-23 years	307,632	31,364	115,596
Landscape	0-24 years	3,408,392	171,406	2,318,421
Lighting	0-21 years	388,070	30,986	200,162
Painting	0-5 years	123,903	29,897	90,768
Parks	0-21 years	496,010	48,319	311,413
Pool area	0-21 years	1,128,341	101,504	906,787
Signage	9 years	20,800	1,042	13,312
	Sub-total:	\$ 7,521,704	\$ 533,076	\$ 4,750,943
Pelican Hill Gate:				
Asphalt/concrete	0-16 years	\$ 535,686	\$ 34,140	\$ 314,859
Fences/walls	5-7 years	44,824	2,247	34,195
Gate houses	1-19 years	80,080	5,279	44,123
Irrigation	0-14 years	62,400	4,758	35,464
Landscape	0 years	29,640	20,727	29,640
Lighting	1-21 years	23,556	1,668	11,625
Painting	2 years	34,528	7,046	23,286
Entry metal monuments	22 years	11,440	478	8,389
Signage	4 years	5,200	543	1,733
Vehicle gates	1-11 years	374,816	31,654	213,628
	Sub-total:	\$ 1,202,170	\$ 108,540	\$ 716,942
Ocean Ridge Gate:				
Asphalt/concrete	3-16 years	\$ 73,892	\$ 1,119	\$ 32,292
Fences/walls	3-9 years	44,980	343	32,250
Gate houses	4-16 years	172,380	1,543	86,695
Irrigation	7 years	10,400	131	5,547
Landscape	3-19 years	342,368	2,581	150,620
Lighting	0-15 years	57,408	664	33,758
Painting	0-5 years	39,000	1,578	31,642
Entry metal monuments	5 years	22,880	144	19,067
Vehicle gates	1-9 years	300,160	3,381	196,444
	Sub-total:	\$ 1,063,468	\$ 11,484	\$ 588,315

NEWPORT COAST COMMUNITY ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF DECEMBER 31, 2024
(UNAUDITED)

<u>Common Area Component</u>	<u>Estimated Remaining Useful Lives</u>	<u>Current Replacement Costs</u>	<u>2025 Recommended Funding Requirement</u>	<u>Study's Recommended Fund Balance</u>
Pelican Crest Gate:				
Asphalt/concrete	0-24 years	\$ 468,020	\$ 687	\$ 410,130
Fences/walls	5-8 years	36,400	63	24,986
Gate houses	4-31 years	174,252	175	50,492
Irrigation	7-23 years	65,520	125	31,928
Landscape	2-19 years	93,600	179	65,416
Lighting	0-15 years	140,566	222	104,188
Painting	1-5 years	21,632	92	9,380
Entry metal monuments	5 years	5,720	6	4,767
Vehicle gates	1-26 years	130,528	299	58,035
	Sub-total:	\$ 1,136,238	\$ 1,848	\$ 759,322
Coastal Canyon Gate:				
Asphalt/concrete	4-16 years	\$ 212,004	\$ 20,029	\$ 137,040
Fences/walls	0-19 years	219,188	9,040	162,422
Gate houses	5-14 years	67,262	3,700	39,623
Irrigation	0-9 years	11,440	880	8,320
Landscape	19-24 years	438,880	16,879	134,923
Lighting	1-21 years	152,984	8,488	108,864
Entry metal monuments	5 years	11,440	440	9,533
Vehicle gates	1-7 years	48,160	6,616	26,202
	Sub-total:	\$ 1,161,358	\$ 66,072	\$ 626,927
Ocean Heights Gate:				
Asphalt/concrete	2-16 years	\$ 46,337	\$ 6,995	\$ 24,867
Fences/walls	0-19 years	357,245	26,028	317,726
Gate houses	2-14 years	113,724	11,400	69,914
Irrigation	0-19 years	27,560	1,877	11,093
Landscape	14 years	484,640	46,867	145,392
Lighting	2-21 years	400,426	33,880	297,128
Painting	4 years	15,600	6,034	3,120
Entry metal monuments	5 years	22,880	1,475	19,067
Vehicle gates	1-7 years	112,440	25,248	59,450
	Sub-total:	\$ 1,580,852	\$ 159,804	\$ 947,757
	Totals	\$ 13,665,790	\$ 880,824	\$ 8,390,206
The accumulated contract liability and Replacement Fund balance at 12/31/24:				\$ 8,299,321



Annual Member Contact Information Notice

The California Civil Code Section 4041 requires that a member of the Association, on an annual basis, provide written notice to their association of all the following:

1. The member's preferred delivery method for receiving notices from the Association, which shall include the option of receiving notices at one or both of the following:
 - a. A mailing address
 - b. A valid email address
2. The name, mailing address of, and if available, valid email address of the owner's legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the owner's extended absence from the separate interest.
3. Whether the separate interest is owner-occupied, is rented out, if the parcel is developed but vacant, or if the parcel is undeveloped land.
4. An alternate or secondary delivery method for receiving notices from the Association, which shall include the option to receive notices at one or both of the following:
 - a. A mailing address
 - b. A valid email address

Please note the following:

- **members aren't required to provide an email address to the association;**
- if the information above is not provided, the last mailing address provided in writing by the member, or if none, the property address shall be deemed the address to which notices are to be delivered; and,
- you may inform the Association in writing or by the below methods whenever you wish to change your preferred delivery method for receiving notices from the Association.

Mailing address:

Newport Coast Community Association

Attn: Management

15241 Laguna Canyon Road

Irvine, CA 92618

Please provide the information for the items listed above by visiting the Association's Community Website at www.newportcoastcommunityassociation.connectresident.com under the "My Account" section.

Per Civil Code Section 5220, you may opt out of the sharing of your name, property address, mailing address, and email address (same email address as provided to Question #1 in the above list) from



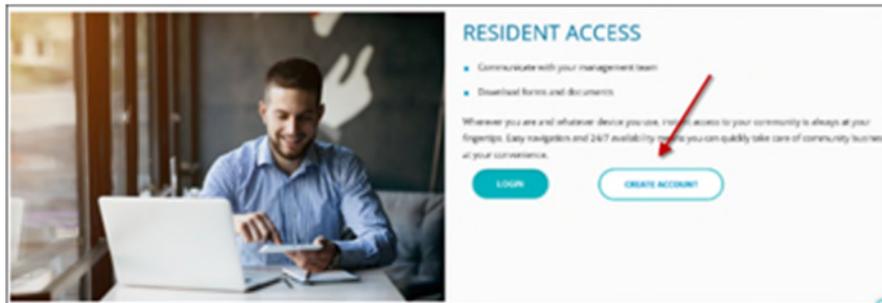
the membership list request process. Please update your Homeowner List preferences under the “My Account” section once you are logged in to the Association’s Community Website.

Your responses to the questions above will serve as your notice to the Association of your preferred and alternate or secondary delivery methods for receiving notices from the Association. The Association thanks you for your cooperation as it facilitates compliance with this legislation.

Registering for the Community Website

If you have not registered for your community’s website, please complete the following steps:

- Navigate to <https://newportcoastcommunityassociation.connectresident.com> Click CREATE ACCOUNT on the landing page of the webpage or “Create Account” via the Connect Resident app



- A verification code will be sent via email, which will expire within **10 minutes**; this 2-factor authentication method ensures the highest levels in security!
- After verifying your email, create a secure password
- Login using these newly created credentials
- Read the Terms and Conditions and select the check box if you agree
- Complete the registration by either entering the Property Address or Account Number (listed as “Customer ID” on the Assessment Statement)
- Once you are registered, the Community Website will allow you to opt-in to receive association documents electronically by customizing your communication preferences and opt-out of the association membership list, if preferred, through “My Account” settings.

Need Assistance? Contact the Customer Care Center for fast, live support 24/7 at 1-800-428-5588.