

**A G E N D A**  
**REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS**  
**SEAL BEACH MUTUAL FOURTEEN**  
**May 21, 2024**  
**Meeting begins at 1:00 p.m.**  
**Building 5 Conference Rm B and Zoom Video/Conference Call**

**TO ATTEND VIA ZOOM:** Shareholders to contact his or her building director or any other director to request the dial-in/login information. The preferred means of contacting your building director to obtain dial-in/login information is by email. The Shareholder will be provided with instructions on how to access the call via telephone or via video upon the Shareholder contacting his or her building director, or any director and requesting the call-in or login information.

**TO PROVIDE COMMENTS DURING MEETING VIA ZOOM:** Shareholders may participate in an Open Board meeting during the Shareholder open forum. In order to make a comment during the Shareholder open forum, the shareholder must (i) notify their building director of their intent to speak during Shareholder open forum, or (ii) submit their information, including their name, Unit Number, and telephone number, via e-mail to [mutualsecretaries@lwsb.com](mailto:mutualsecretaries@lwsb.com) , by no later than 4:00 p.m. on 5/20/24, the business day before the date of the meeting.

1. CALL TO ORDER/ PLEDGE OF ALLEGIANCE

(Per California Penal Code Section 632, there is no recording of these meetings)

2. SHAREHOLDERS' COMMENTS

**Note: Foundation Shareholder/Members are permitted to make comments before the meeting business of the Board begins. The Open Meeting Act allows the Board of Directors to establish reasonable time limits for the open forum and for speakers to address the board. (Civil Code 4925(b).) Time limits, per speaker, are limited to:**

- 2 - minute limit per speaker

3. ROLL CALL

4. INTRODUCTION OF STAFF & GUESTS:

Mr. Melody, GRF Representative  
Ms. Fish-Cacheiro, Building Inspector  
Ms. Equite, Portfolio Specialist

5. **APPROVAL OF MINUTES**

- a. Approval of Regular Meeting Minutes of April 16, 2024.

6. **BUILDING INSPECTOR'S REPORT**

Ms. Fish-Cacheiro

Permit Activity; Escrow Activity; Contracts & Projects; Shareholder and Mutual Requests (pp. 3-4)

- a. Discuss and vote to approve patio proposal for Unit 50-F (pp. 5-6)  
b. Discuss bait stations from Fenn

7. SECRETARY / CORRESPONDENCE

- a. Discuss shareholder's correspondence.

8. PRESIDENT'S REPORT

9. VICE PRESIDENT'S REPORT

10. CHIEF FINANCIAL OFFICER'S REPORT

11. GRF GENERAL PROJECT UPDATES

Mr. Melody

12. **CONSENT CALENDAR**

- a. No items.

13. **UNFINISHED BUSINESS**

- a. No unfinished business

14. **NEW BUSINESS**

- a. Approval of Monthly Finances (p. 7)
- b. Discuss and vote to approve the purchase of fire blankets (p. 8) (handout)
- c. Discuss and vote to amend 14-7510-3 – Eligibility Requirements (pp. 9-13)
- d. Discuss and vote to accept the Audit Financial Statement (p. 14-38)
- e. Discuss mutual signage proposal
- f. Discuss mutual support for all appliances
- g. Discuss 2024 condo blue books
- h. Discuss LWSB Mutual 14 website
- i. Discuss strainers/ distribution
- j. Discuss dog size regulations

**STAFF BREAK BY 3:00 P.M.**

15. PORTFOLIO SPECIALIST REPORT

Ms. Equite

16. **COMMITTEE REPORTS**

- a. Physical Property Committee Report
- b. Landscape Committee Report

17. DIRECTORS' COMMENTS

18. ANNOUNCEMENTS

- a. **NEXT BOARD MEETING:** Tuesday, June 18, 2024, at 1:00 p.m. in Conference Room B and via Zoom Video/Conference Call
- b. **M14 NEWS:** Shareholders interested in receiving the Mutual 14 Scuttlebutt Newsletter, published by Jack Faucett, please add your name to his list by e- mailing him at [larrylmemorial@gmail.com](mailto:larrylmemorial@gmail.com)

19. ADJOURNMENT

20. EXECUTIVE SESSION

**STAFF WILL LEAVE THE MEETING BY 4:00 P.M.**

## INSPECTOR MONTHLY MUTUAL REPORT

<b>MUTUAL: (14) Fourteen</b>		<b>INSPECTOR: JAMIE FISH-CACHEIRO</b>
<b>MUTUAL BOARD MEETING DATE: MAY</b>		

### PERMIT ACTIVITY

UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	PERMIT ISSUE	COMP. DATE	CHANGE ORDER	RECENT INSPECTION	CONTRACTOR
05-B	REMODEL	BOTH	05/20/24	08/30/24	NONE		MARCO CONSTRUCTION
05-C	FLOORING	GRF	03/20/24	04/30/24	NONE		KARYS CARPET
05-D	STONE WALL	GRF	05/06/24	06/18/24	NONE		PERFORMANCE REMODELING
12-C	WINDOWS	BOTH	04/10/24	07/30/24	NONE		MP CONSTRUCTION
16-D	FLOORING	GRF	05/09/24	06/30/24	NONE		KARYS CARPET
19-C	CEILING FAN	BOTH	04/08/24	07/31/24	NONE	FINAL - 04/16/24	C.J CONSTRUCTION
19-H	UNIT REMODEL	BOTH	10/23/23	06/30/24	NONE	GROUND/PLUMB 02/08/24	LOS AL BUILDERS
22-B	HEAT PUMP	BOTH	05/14/24	07/14/24	NONE		ALPINE
23-G	FLOORING	GRF	05/03/24	08/05/24	NONE		L&S CORE CONSTRUCTION
24-B	FLOORING/HVAC	BOTH	04/04/24	05/04/24	NONE		C.J CONSTRUCTION
27-C	CEILING FAN	BOTH	04/01/24	06/28/24	NONE		C.J CONSTRUCTION
27-D	CABINETS	GRF	03/25/24	06/01/24	NONE		J.C Kress
27-H	REMODEL	BOTH	04/26/24	10/14/24	NONE		LOS AL BUILDERS
28-A	REMODEL	BOTH	05/06/24	07/30/24	NONE		MP CONSTRUCTION
28-H	WINDOWS	BOTH	04/18/24	08/30/24	NONE		MP CONSTRUCTION
28-I	3/4 BATH, WASHER/DRYER	BOTH	12/11/23	05/30/24	NONE		MP CONSTRUCTION
30-B	PATIO	GRF	05/09/24	06/30/24	NONE		MJ JURADO
32-C	FLOORING	GRF	05/08/24	06/30/24	NONE		KARYS CARPET
33-L	HEAT PUMP	BOTH	05/10/24	08/13/24	NONE		PRECISION COMFORT SYSTEM
48-C	PATIO	GRF	01/12/24	03/12/24	NONE	Inspection Correction 03/18/24	PERFORMANCE BOND
52-K	PATIO	GRF	03/28/24	05/23/24	NONE	FINAL - 04/30/24	PERFORMANCE REMODELING
53-B	SLIDING DOOR/ PERGOLA	BOTH	02/19/24	04/15/24	NONE		PERFORMANCE BOND
53-E	PATIO	GRF	04/01/24	06/04/24	NONE	FINAL - 04/30/24	PERFORMANCE REMODELING

### ESCROW ACTIVITY

Unit #	NMI	PLI	NBO	FI	FCOEI	ROF	ACTIVE, CLOSING, CLOSED, NMI
							4   0   3   0
26-E		02/28/24	04/21/24	04/29/24			
27-C		01/05/24	03/14/24	03/18/24	03/30/24	05/07/24	
28-A		02/28/24	04/08/24	04/13/24	04/25/24		
33-A		01/05/24					
33-J		02/28/24					
49-L		10/24/23					

NMI = New Member Inspection    PLI = Pre-Listing Inspection    NBO = New Buyer Orientation

FI = Final Inspection    FCOEI = Final COE Inspection    ROF = Release of Funds

### CONTRACTS

CONTRACTOR	PROJECT
J&J LANDSCAPE                      OCTOBER 31, 2024	Landscaping & Irrigation
EMPIRE PIPE                              DECEMBER 31, 2022	Annual inspection Out going line only
FENN                                              MAY 31, 2026	Pest and rodent control services
DR. PEST                                          FEBRUARY, 2025	Bait station

### SPECIAL PROJECTS/ REQUEST

Contractor	Discription of Work

## INSPECTOR MONTHLY MUTUAL REPORT

<b>MUTUAL: (14) Fourteen</b>		<b>INSPECTOR: JAMIE FISH-CACHEIRO</b>
<b>MUTUAL BOARD MEETING DATE: MAY</b>		

## SHAREHOLDER AND MUTUAL REQUEST

	13-E Termites
	13-J Roof Leak
	43-G Roof Leak

# *Mutual Corporation No. Fourteen*

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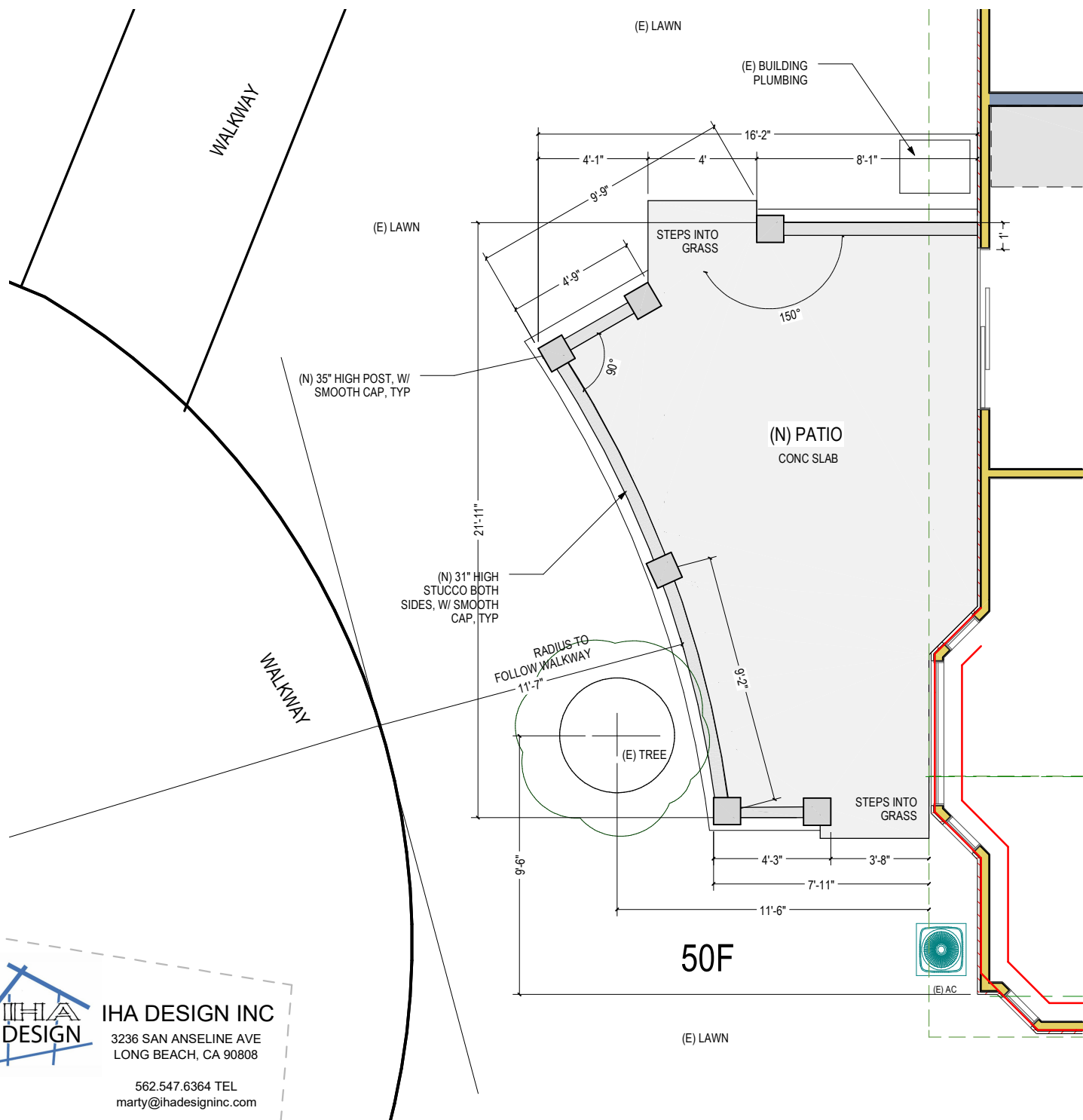
## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO APPROVE PATIO PROPOSAL FOR UNIT 50-F  
(BUILDING INSPECTOR, ITEM A)  
**DATE:** MAY 21, 2024  
**CC:** MUTUAL FILE

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I move to approve patio proposal for Unit 050-F, work to be done at the shareholder's expense.




**IHA DESIGN INC**  
 3236 SAN ANSELINA AVE  
 LONG BEACH, CA 90808  
 562.547.6364 TEL  
 marty@ihadesigninc.com

**PATIO REMODEL**  
 1761 SUNNINGDALE RD UNIT 50F M14  
 SEAL BEACH CA

# *Mutual Corporation No. Fourteen*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** APPROVAL OF MUTUAL MONTHLY FINANCES (NEW BUSINESS, ITEM A)  
**DATE:** May 21, 2024  
**CC:** MUTUAL FILE

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I move to approve that the review of the Mutuals' operating accounts, reserve accounts, current year's actual operating revenues and expenses compared to the current year's budget, the latest account statements prepared by financial institutions where the mutual has its operating and reserve accounts, and the income and expense statement for the mutual's operating and reserve accounts have been approved; and, further, that per Civil Code Section 5500(a)-(f), the check register, monthly general ledger, and delinquent assessment receivable reports have been reviewed for the month of April 2024.

# *Mutual Corporation No. Fourteen*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO APPROVE PURCHASE OF FIRE BLANKETS (NEW BUSINESS, ITEM B)  
**DATE:** MAY 21, 2024  
**CC:** MUTUAL FILE

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I move to approve the purchase of fire blankets from \_\_\_\_\_ at a cost not to exceed \$\_\_\_\_\_. Funds to come from \_\_\_\_\_ and authorize the President to sign any necessary documentation.



# *Mutual Corporation No. Fourteen*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO AMEND 14-7510-3 ELIGIBILITY REQUIREMENTS  
(NEW BUSINESS, ITEM C)  
**DATE:** MAY 21, 2024  
**CC:** MUTUAL FILE

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I move to amend procedure 14-7510-3 – Eligibility Requirements.

**SEAL BEACH MUTUAL NO. FOURTEEN**

**AMEND**

**Resident Regulations**

**Eligibility Requirements**

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Any persons seeking approval of the Board of Directors of Seal Beach Mutual No. Fourteen to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following eligibility criteria:

Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.

**1. MEET THE MUTUAL ELIGIBILITY CRITERIA AS FOLLOWS:**

**1.1. Age**

**1.1.1.** Minimum of 55 years, as confirmed by a birth certificate, or passport. A driver’s license is not acceptable as proof of age.

**1.2. Financial Ability**

**1.2.1. Income**

**1.2.1.1.** Verified monthly income that is at least four (4) times or greater than the monthly carrying charge (Regular GRF and Mutual Assessment plus Property Tax and Fees) at the time of application and have liquid assets of at least \$50,000 over the purchase price.

**1.2.1.2.** Verified monthly income will be in the form of the past two years of:

- Current Tax returns,
- 1099s for interest and dividends for the past two years (assets used to purchase unit will not be included in income calculations)
- 1099-Rs for retirement income from qualified plans and annuities.
- Forms SSA-1099 showing Social Security Benefit received
- Irrevocable Trust Income
- Disability Income
- Six (6) to Twelve (12) months of checking account statements,
- Adjusted Gross Income per 1040, 1040A, or 1040EZ; plus that portion of Social Security, IRA distributions, and pensions and annuities not included in adjusted gross income; plus tax exempt interest; (*assets used to purchase unit will*

(Sep 21)

**SEAL BEACH MUTUAL NO. FOURTEEN**

**AMEND**

**Resident Regulations**

**Eligibility Requirements**

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*not be included in income calculations*) minus income tax, Social Security, Medicare, and self-employment taxes paid; and minus Medicare medical insurance and prescription drug premiums; all divided by twelve (12) will equal net monthly income to be used in Section 1.2 above.

**1.2.2. Assets**

- 1.2.2.1.** Have verified liquid assets of at least \$50,000 at the time of application. Assets can be verified by submitting copies of at least the most recent 6month's worth of savings/checking/investments account statements.
  - Brokerage statements and current interim statement for the past two years. (assets used to purchase unit will not be included in income calculations);
  - At least the most recent six months' worth of checking/savings investment account statements (assets used to purchase unit will not be included in income calculations).

**1.2.3.** Projected assessments will be the previous year's assessment (total of carrying charge less any cable charge, less Orange County Property Taxes and Fees), and the addition of the new property tax at 1.2% of the sales price plus Orange County District fees divided by 12 for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times four (4) will be the monthly income required. This will be verified by the escrow company and the Stock Transfer Office. Stock Transfer shall have the final say in establishing verifiable income.

**1.2.4.** Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer interview and prior to the close of escrow (the above verification will not be done by the individual Mutual directors; Directors will not be required to study or understand the financial requirements).

**1.2.5.** Only the proposed shareholder(s) income shall be considered for qualifying.

**1.2.6.** If moving within Leisure World, or if there are any additions/changes to the title, the proposed shareholder(s) must meet these eligibility

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1 If major remodeling, expansion, or addition of a bathroom is being considered, the increase in taxes over the 1.2% of the purchase price must be taken into consideration.

(Sep 21)

**SEAL BEACH MUTUAL NO. FOURTEEN**

**AMEND**

**Resident Regulations**

**Eligibility Requirements**

requirements.

1.2.7. In addition to the above financial verification documents a recent credit report from one of the established credit reporting companies must be provided to the Stock Transfer Office by the prospective proposed shareholder(s). The Stock Transfer Office must ensure that the following conditions are met and must include that information with the financial verification report.

1.2.7.1. A minimum FICO score of 620.

**2. HEALTH**

2.1. Have reasonably good health for a person of his/her age. Leisure World is not a nursing home, an addicted living facility, nor an independent senior living community.

**3. ~~SHAREHOLDER NEW BUYER FEE~~**

~~3.1 Prospective Mutual 14 shareholders will be assessed a Shareholder Buyer Premium Fee of \$500 at the time of escrow.~~

Assume, in writing, the obligations of the "Occupancy Agreement" in use by the Mutual Corporation.

Officers or Committees of the Board of Directors designated to approve new applicants are responsible that the eligibility criteria of this corporation is equitably applied to all applicants. Approval or disapproval of buyer(s) must be received by the Stock Transfer Office at least ten (10) working days prior to the close of escrow.

I have read and understood what is required for eligibility consideration in the above named Mutual, including necessary documentation.

\_\_\_\_\_  
Prospective Buyer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Buyer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Buyer

\_\_\_\_\_  
Date

(Sep 21)

**SEAL BEACH MUTUAL NO. FOURTEEN**

**AMEND**

**Resident Regulations**

**Eligibility Requirements**

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Prospective Buyer

\_\_\_\_\_  
Date

**Document History**

Adopted: June 2020  
Amended: 21 Sept 2021

**Keywords:** Mutual Eligibility Requirements  
Fourteen

124

AMEND

(Sep 21)

# *Mutual Corporation No. Fourteen*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO ACCEPT THE AUDITED FINANCIAL STATEMENT  
(NEW BUSINESS, ITEM D)  
**DATE:** MAY 21, 2024  
**CC:** MUTUAL FILE

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I move to accept that the Board of Directors of Seal Beach Mutual Fourteen, upon a presentation of the Financial Statements as of December 31, 2023, for the year then ended, and the proposed Accountant's Report as submitted by CliftonLarsonAllen (CLA), hereby accepts the above-mentioned Financial Statements and reports therein, and authorize the President, Treasurer and Management to sign the Management Representation Letter.

CliftonLarsonAllen LLP  
301 N Lake Ave #900,  
Pasadena, CA 91101

This representation letter is provided in connection with your audit of the financial statements of Seal Beach Mutual No. Fourteen, which comprise the balance sheet as of December 31, 2023, and the related statements of operations, stockholders' equity, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. 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.

We confirm, to the best of our knowledge and belief, as of REPORT DATE, the following representations made to you during your audit.

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated March 18, 2024, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The following summarizes uncorrected misstatements of the financial statements:
  - To record \$7,900 estimated credit loss on receivable as of December 31, 2023.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Transfers and designations of fund balance and interfund borrowings were properly authorized and approved, and uncollectible interfund loans have been properly reflected in the financial statements and disclosed to you.
11. Material concentrations have been properly disclosed in accordance with U.S. GAAP.
12. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
13. Receivables recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date, and the carrying amounts of those receivables and related allowances are determined in accordance with U.S. GAAP.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
15. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and, when necessary, have appropriately recorded the adjustment.
16. There are no material uncertain tax positions for which a liability should be recognized in accordance with FASB ASC 740, *Income Taxes*.
17. We have implemented ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326) during the audit period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the ASU. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amounts recorded and disclosed in the financial statements.

#### **Information Provided**

1. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.



- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Complete minutes of the meetings of the board of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
5. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others when the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
7. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
8. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
9. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
10. We have disclosed to you the identity of all the entity's related parties and all the related party relationships and transactions of which we are aware, including any side agreements.
11. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

13. We have fully disclosed to you all terms of contracts with customers that affect the amount and timing of revenue recognized in the financial statements.
14. The board of directors is collecting funds for future major repairs and replacements in conformity with the Mutual's policy to fund for those needs based on a study conducted in the supplementary information to the financial statements. The board of directors believes the funds will adequately provide for future major repairs and replacements.
15. The Mutual's allocation of expenses against membership and nonmembership income conforms with IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation.
16. The Mutual has excess membership income in the current year and for tax purposes has elected to either (a) offset it against next year's assessments or (b) refund it to members. We have adequately documented such election in the current year.
17. We understand that management is responsible for the association's choice of filing Form 1120 and the consequences thereof.
18. We acknowledge our responsibility for presenting the required supplementary information (RSI) about future major repairs and replacements required by the Financial Accounting Standards Board (FASB). 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.
19. We acknowledge our responsibility for presenting the statement of direct operating expenses and the comparative information on budget figures (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
20. In regards to the tax preparation services performed by you, we have:
  - a. Made all management judgments and decisions and assumed all management responsibilities.
  - b. Designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee the services.
  - c. Evaluated the adequacy and results of the services performed.
  - d. Accepted responsibility for the results of the services.

- e. Ensured that the entity's data and records are complete and received sufficient information to oversee the services.

Signature: \_\_\_\_\_ Title: President \_\_\_\_\_

Signature: \_\_\_\_\_ Title: Treasurer \_\_\_\_\_

Signature: \_\_\_\_\_ Title: Executive Manager \_\_\_\_\_

**SEAL BEACH MUTUAL NO. FOURTEEN**  
Financial Statements  
December 31, 2023

DRAFT

**SEAL BEACH MUTUAL NO. FOURTEEN  
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YEAR ENDED DECEMBER 31, 2023**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members  
Seal Beach Mutual No. Fourteen  
Seal Beach, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Seal Beach Mutual No. Fourteen (the Mutual), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, stockholders' equity, 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 Seal Beach Mutual No. Fourteen as of December 31, 2023, 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 of Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seal Beach Mutual No. Fourteen 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.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2023, the Mutual adopted new accounting guidance for the measurement of credit losses on financial instruments. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management 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, 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 Seal Beach Mutual No. Fourteen's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

#### ***Auditors' 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 auditors' 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 GAAS 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.

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, 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 Seal Beach Mutual No. Fourteen'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 Seal Beach Mutual No. Fourteen'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.

**Report on Supplementary Information and Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Direct Operating Expenses with comparative budget figures on page 16, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Statement of Direct Operating Expenses is the responsibility of the Mutual's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The comparative budget information presented in the Statement of Direct Operating Expenses has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**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 page 17 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 GAAS, 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Disclaimer of Opinion on Comparative Budget Information in the Statement of Operations**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The comparative budget information presented in the Statement of Operations and Statement of Direct Operating Expenses which is the responsibility of management, is presented for purposes of additional analysis and is not

a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**CliftonLarsonAllen LLP**

Pasadena, California  
REPORT DATE

DRAFT



SEAL BEACH MUTUAL NO. FOURTEEN  
BALANCE SHEET  
December 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)		
1110600 Cash	\$	23,277
1122000 Money market accounts		43,358
		<u>66,635</u>
Receivables:		
1130500 Members (Note 1)		50,967
1132500 Other receivables		1,997
1134000 Accrued interest		7,674
		<u>60,638</u>
Other current assets:		
1170000 Undivided beneficiary future interest in community trust funds		680,132
1150000 Prepaid expenses		28,737
		<u>708,869</u>
TOTAL CURRENT ASSETS		<u>836,142</u>

IMPOUND ACCOUNTS (Note 2)

1181000 Money market accounts	158,647
TOTAL IMPOUND ACCOUNTS	<u>158,647</u>

RESTRICTED DEPOSITS (Note 2)

Restricted money market accounts	610,609
Restricted investments	708,683
TOTAL RESTRICTED DEPOSITS	<u>1,319,292</u>

MUNICIPAL BONDS - UNRESTRICTED (Note 2)

TOTAL MUNICIPAL BONDS - UNRESTRICTED	<u>22,754</u>
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FIXED ASSETS

1501000 Land	515,606
1502000 Residences	7,786,702
1518000 Undivided beneficiary future interest in community facilities trust	2,399,120
	<u>10,701,428</u>
1519000 Accumulated depreciation	(5,562,984)
NET FIXED ASSETS	<u>5,138,444</u>

OTHER ASSETS

1650000 Repair and tax deposits (Note 2)	23,950
NET DEFERRED CHARGES	<u>23,950</u>

TOTAL ASSETS	\$ <u>7,499,229</u>
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(continued)

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements.

SEAL BEACH MUTUAL NO. FOURTEEN  
BALANCE SHEET  
December 31, 2023

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

2111700 Project Commitments- Reserve (Note 1)	2,771
2120000 Prepaid monthly dues (Note 1)	27,136
2132100 Other liabilities (Note 3)	69,017
2153500 Property tax accrual	24,749
2180000 Repair and tax deposit liability	23,739
Deferred Reserve (Note 4)	<u>1,210,234</u>
TOTAL CURRENT LIABILITIES	<u>1,357,646</u>
TOTAL LIABILITIES	<u>1,357,646</u>

STOCKHOLDERS' EQUITY (Note 5)

Capital Stock:

3120000 Common stock of par value ranging from \$300 to \$416; authorized, issued and outstanding 328 shares	125,420
3310000 General Investment Equity	136,050
3510000 Additional paid-in capital	4,033,800
3448000 Equity in additions to community facilities and trust funds	2,611,717
3449000 Equity in additions to land and residences improvements	4,698,166
3515000 Excess income before depreciation and amortization:	246,310
3649500 Accumulated depreciation and amortization	<u>(5,709,880)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>6,141,583</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$	<u><u>7,499,229</u></u>

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements.

SEAL BEACH MUTUAL NO. FOURTEEN  
STATEMENT OF OPERATIONS  
(with comparative budget figures)  
For the Year Ended December 31, 2023

	Actual	(Unaudited) Budget
OCCUPANCY INCOME		
Dwelling units, net of reserve funding	\$ 1,202,149	\$ 1,202,132
NON OCCUPANCY INCOME		
Laundry revenue	5,673	6,219
Interest	28,670	12,674
Inspection fees	25,750	31,488
Buyers premium income	9,750	15,744
NSF fees	200	-
Miscellaneous	35,574	905
TOTAL NON OCCUPANCY INCOME	105,617	67,030
TOTAL AVAILABLE FOR OPERATIONS	1,307,766	1,269,162
DIRECT OPERATING EXPENSES (see Supplementary Information)	1,276,694	1,269,162
EXCESS OF INCOME AND TRANSFERS OVER DIRECT OPERATING EXPENSES	31,072	\$ -
BUILDING AND LAND MAINTENANCE		
Release from project reserve	80,860	
Building and land maintenance from reserves	(80,860)	
TOTAL BUILDING AND LAND MAINTENANCE	-	
DEPRECIATION	229,371	
EXCESS OF DIRECT OPERATING EXPENSES, BUILDING AND LAND MAINTENANCE, AND DEPRECIATION OVER INCOME	\$ (198,299)	

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements.

SEAL BEACH MUTUAL NO. FOURTEEN  
STATEMENT OF STOCKHOLDERS' EQUITY  
For the Year Ended December 31, 2023

	Capital Stock	Additional Paid-in Capital	Equity in Additions to Community Facilities	Equity in Additions to Land & Residences Improvements	Excess Income Before Depreciation and Amortization	Accumulated Depreciation and Amortization	General Investment	Total Stockholders' Equity
BALANCE AT JANUARY 1, 2023	\$ 125,420	\$ 4,033,800	\$ 2,584,527	\$ 4,552,808	\$ 351,288	\$ (5,480,509)	-	\$ 6,167,334
Equity in additions to community facilities trust	-	-	27,190	-	-	-	-	27,190
Equity in additions to land & residences improvements	-	-	-	145,358	-	-	-	145,358
Excess of income and transfer over direct operating expenses	-	-	-	-	31,072	-	-	31,072
Transfers from prior year earnings to equity reserves	-	-	-	-	(136,050)	-	136,050	-
Depreciation	-	-	-	-	-	(229,371)	-	(229,371)
BALANCE AT DECEMBER 31, 2023	<u>\$ 125,420</u>	<u>\$ 4,033,800</u>	<u>\$ 2,611,717</u>	<u>\$ 4,698,166</u>	<u>\$ 246,310</u>	<u>\$ (5,709,880)</u>	<u>\$ 136,050</u>	<u>\$ 6,141,583</u>

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements.

SEAL BEACH MUTUAL NO. FOURTEEN  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2023

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess of direct operating expenses and depreciation over income and transfers	\$ (198,299)
Adjustments to reconcile to net cash provided by operating activities:	
Funding of replacement reserves	462,818
Building and land maintenance paid from reserve funds	(80,860)
Depreciation and amortization	229,371
(Increase) in other receivables	(46,298)
(Increase) in accrued interest	(2,570)
Decrease in prepaid expenses	19,613
(Increase) in other assets	(7,835)
(Decrease) in payable to Golden Rain Foundation	(55,508)
Increase in project commitment reserve	4,978
Increase in prepaid monthly dues	7,849
Increase in other liabilities	38,889
(Decrease) in property tax accrual	(12,555)
Increase in repair and tax deposit liability	17,375
<b>TOTAL ADJUSTMENTS</b>	<u>575,267</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>376,968</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	175,000
(Purchase) of investments	(504,481)
(Purchase) of residences	<u>(145,358)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(474,839)</u>
<b>NET (DECREASE) IN CASH</b>	(97,871)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>957,712</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u><u>\$ 859,841</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash paid for income taxes	<u><u>\$ 1,300</u></u>

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements.

SEAL BEACH MUTUAL NO. FOURTEEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Seal Beach Mutual No. Fourteen (the "Mutual"), located in Seal Beach, California, is one of 16 similar corporations which own land, buildings and an undivided beneficiary future interest in community facilities held in trust by Golden Rain Foundation (the "Foundation") within a housing project consisting of 6,482 cooperative housing units and 126 condominium units known as Seal Beach Leisure World.

The stockholders of the Mutual are also members of the Foundation, a nonprofit corporation that operates and maintains the community facilities within the project for the benefit of all residents of Seal Beach Leisure World. The beneficiary future interest of the Mutual in the community facilities of the Foundation and Trust reserve funds, before deduction of accumulated depreciation, totals \$3,079,252, consisting of interest in Trust funds of \$680,132 and interest in community facilities of \$2,399,120.

Investment Securities: Financial Accounting Standards Board Accounting Standards Codification (FASB ASC Number 320-10) "Accounting for Certain Investments in Debt and Equity Securities" requires that investments be classified as "held to maturity", "available for sale" or "trading securities". The standard defines investments in securities as held to maturity based upon a positive intent and ability to hold those securities to maturity. Investments held to maturity are reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in operations. Debt and equity securities not classified as held to maturity or trading securities are classified as available for sale and are recorded at fair value, with unrealized gains and losses excluded from operations and reported as a separate component of stockholders' equity. The Mutual has classified its entire investment portfolio as held to maturity and thus has recorded its investment securities at amortized cost.

Fixed Assets: The cost of residences and improvements are capitalized at cost and are being depreciated on a straight-line basis over the useful life of the asset which is principally forty years.

The Mutual's undivided future interest in the community facilities of the trust is being depreciated on a straight-line basis over the useful lives of the underlying assets, which range from five to thirty years.

Receivable and Allowance for Credit Losses: Receivables are stated at their estimated collectible amounts and comprise amounts billed and due from members. The Mutual expected to collect receivable from escrow in full upon sales of the unit. The Mutual establishes an allowance for credit losses to present value the net amount of receivable expected to be collected. The allowance represents the estimated of expected credit losses based on historical experience, current economic conditions, and certain forward-looking information.

SEAL BEACH MUTUAL NO. FOURTEEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: The Mutual disaggregates its revenue streams by type of service into two major categories that depict the nature, amount, timing, and uncertainty of revenues and related cash flows. The following depicts each revenue stream:

- Net occupancy income represents the monthly assessment that the Mutual charges to the shareholders for providing the bundled services of operating and maintaining the Mutual facilities. The Mutual recognizes this revenue stream on a monthly basis as the shareholders are assessed amounts based on approved budgets. Receivable from members at December 31, 2023 and 2022 were \$50,967 and \$6,234, respectively. Prepaid monthly dues from members at December 31, 2023 and 2022 were \$27,136 and \$19,287, respectively.
- The release from project reserve represents the satisfaction of performance obligations for replacement fund assessments. Performance obligations are satisfied when the funds are expended for their intended purposes, at which time, revenue is recognized by the Mutual.
- Other non occupancy income relates to incidental revenue earned by the Mutual as part of services provided to the shareholders, such as laundry machine revenue, late charges on delinquent balances, interest on investments, inspection fees, returned check / ACH fees and parking fines.

Generally, due to the nature of its revenues, the Mutual recognizes revenues as services are provided over time and its obligations are complete from express or implied contracts. Prepaid monthly dues is a contract liability consisting of advance payments on account by shareholders.

Operating Expenses: Included in the Mutual's operating expenses are trust administration cost related to administration, recreation and community facilities. The Foundation charges each Mutual Corporation for these services in the proportion to the Mutual's number of units as compared with all the units in the project. Trust Administration costs for the 328 units controlled by Mutual Fourteen were \$760,553 for 2023.

Project Commitments: Reserves represent outstanding balances due to contractors for reserve and replacement work that is in process, or has been completed but not paid in full as of the balance sheet date. The total cost of these project commitments have been reflected in the current year's reserve activities.

As of December 31, 2023, the balance of Project Commitments - Reserves is \$2,771.

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. These assumptions and estimates can affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of changes in members' equity during the reporting period. Actual results could differ from those estimates.

SEAL BEACH MUTUAL NO. FOURTEEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows: For purposes of reporting cash flows, cash and cash equivalents include securities and municipal bonds maturing within 90 days of the original purchase date. Net cash provided by operating activities in 2023 includes income taxes paid of \$1,300. No interest expense was incurred. During 2023, the Mutual had noncash investing and financing activities increasing both the undivided beneficiary future interest in community facilities trust funds and equity in additions to community facilities in the amount of \$27,190.

Concentration of Credit Risk: The Mutual's cash is maintained in two commercial banks. Cash maintained in U.S. Bank consists of demand deposits and money market accounts. U.S. Bank has a "Secured Deposit" program that provides insurance in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Mutual's accounts are fully covered by this program. Cash maintained in BNY Mellon consists of certificates of deposits (CD) and money market accounts totaling \$312,378 which is fully covered by FDIC insurance.

The Mutual has \$600,000, par value, invested in municipal bonds which it closely monitors with its investment advisor.

Advertising: Costs are charged to operations when incurred and are included in operating expenses. The Mutual did not incur any advertising expense during the year ended December 31, 2023.

Income Taxes: Under Federal and State income tax regulations, income from member and non-member sources, net of applicable expenses, is taxable to the Mutual. Provision has been made in the current year for the 2023 tax liability.

The Mutual adopted the provisions of FASB ASC Number 740-10, "Accounting for Uncertainty in Income Taxes." FASB ASC Number 740-10 changes the accounting for uncertainty in income taxes by creating a new framework for how organizations should recognize, measure, present and disclose uncertain tax positions in their financial statements. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax positions will more likely than not (>50%) be sustained upon the technical merits of the position. In accordance with FASB ASC 740-10, the Mutual adopted a policy to recognize penalties and interest resulting from those uncertainties in the period in which they are incurred as operating expenses. The Mutual has analyzed tax positions taken for filing with the Internal Revenue Service and the California Franchise Tax Board. The Mutual believes that income tax filing positions will be sustained upon examination, and does not anticipate any adjustments that would result in a material adverse affect on the Mutual's financial condition, results of operations, or cash flows. Accordingly, the Mutual has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023.

Subsequent Events: Date of Management's Review - Subsequent events have been evaluated through August X, 2024, the date that these financial statements were available to be issued.



SEAL BEACH MUTUAL NO. FOURTEEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle: The Mutual has adopted ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses. The Mutual adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Mutual's financial statements but change how the allowance for credit losses is determined.

NOTE 2 - CASH AND CASH EQUIVALENTS, INVESTMENTS, AND RESTRICTED CASH

Deposits and investments are presented on the balance sheet at December 31, 2023 as follows:

Cash and cash equivalents	\$	66,635
Impound accounts - cash equivalents		158,647
Repair and tax deposits - cash equivalents		23,950
Restricted cash equivalents		610,609
Total cash and cash equivalents and restricted cash		859,841
Municipal bonds at amortized cost		622,754
Restricted certificates of deposit		108,683
Total investments		731,437
Total	\$	1,591,278

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

SEAL BEACH MUTUAL NO. FOURTEEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 - CASH AND CASH EQUIVALENTS, INVESTMENTS, AND RESTRICTED CASH

Certificates of deposits with maturities greater than three months are reflected as investments. Investments in certificates of deposit are valued based on fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer. Certificates of deposits are measured using level 2 inputs within the fair value hierarchy.

A summary of designated deposits and investments at December 31, 2023 follows:

<u>Property Tax Fund</u> : Designated for the payment of property taxes	\$ 158,647
<u>Appliance Fund</u> : Designated for replacement of appliances, fixtures and other property components	
<u>Painting Fund</u> : Designated for painting of residences and other facilities	
<u>Contingency Operating Fund</u> : Designated for deficiencies resulting from delinquent accounts and other contingencies	
<u>Roofing Fund</u> : Designated for replacement of roofs	
<u>Infrastructure Fund</u> : Designated for replacement of infrastructure	
Total Restricted Fund	1,319,292
<u>Repair &amp; Tax Deposits</u> : Designated for repairs of sold units and for pending tax liabilities of the sellers	23,950
Total designated deposits and investments	\$ <u>1,501,889</u>

A comparison of amortized cost and approximate fair value of deposits and investments held to maturity at December 31, 2023 follows:

	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Municipal bonds	\$ <u>622,754</u>	\$ <u>8,088</u>	\$ <u>630,841</u>
	\$ <u>622,754</u>	\$ <u>8,088</u>	\$ <u>630,841</u>

SEAL BEACH MUTUAL NO. FOURTEEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 - CASH AND CASH EQUIVALENTS, INVESTMENTS, AND RESTRICTED CASH (Continued)

The amortized cost and estimated fair value of debt securities at December 31, 2023, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Due in one year or less	\$ 126,390	\$ 126,497
Due after one year through five years	340,139	344,214
Due after five years through ten years	104,870	108,315
Due after ten years	51,354	51,816
	\$ 622,754	\$ 630,841

Bonds with principal balance of \$175,000 matured during the year ended December 31, 2023.

NOTE 3 - RECEIVABLE AND PAYABLE FROM AND TO GOLDEN RAIN FOUNDATION

A significant portion of the operating expenses consist of assessments and other billings paid to the Foundation. The board of the Foundation consist of members that are also members of the Mutuals.

Amounts payable to the Foundation of \$49,565 at December 31, 2023 represent the Mutual's current payables for bills paid by the Foundation on behalf of the Mutual and service maintenance charges for the month of December 2023.

NOTE 4 - DEFERRED REPLACEMENT FUNDS

The Mutual recognizes revenue from members as the related performance obligations are satisfied. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purposes. A contract liability (deferred reserve) is recorded when the Mutual has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments. Deferred reserve for the year ended December 31, 2023 is as follows:

Deferred reserve - beginning of year	\$ 828,276
Collection of reserve	462,818
Repair and maintenance expenditures	(80,860)
Deferred reserve - end of year	\$ 1,210,234

SEAL BEACH MUTUAL NO. FOURTEEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 5 - STOCKHOLDERS' EQUITY

On original issue, each share of common stock was accompanied by an occupancy agreement entitling the purchaser to possession of a particular residential apartment. Par value of each share was determined by the size, type and location of each apartment.

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Mutual's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$1,319,292 at December 31, 2023, are held in separate accounts and are generally not available for operating purposes.

The funding is based on a review performed by the Board of Directors (the "Board") to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were obtained from licensed contractors and from the costs of recent projects performed in the community.

The Mutual is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Mutual has the right, subject to shareholder approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 7 - INCOME TAXES

The Company's effective income tax rate differs from the statutory federal income tax rate due to IRC Subchapter T adjustments and state income taxes, net of federal tax benefit. Subchapter T prohibits the use of losses generated from tenant activities against income from non-tenant activities. The Company's non-tenant activities for 2023 generated no taxable income.

At December 31, 2023, there were no temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities.

SEAL BEACH MUTUAL NO. FOURTEEN  
SUPPLEMENTARY INFORMATION  
STATEMENT OF DIRECT OPERATING EXPENSES  
(with comparative budget figures)  
For the Year Ended December 31, 2023

	Actual	(Unaudited) Budget
<b>COMMUNITY FACILITIES AND ASSOCIATION EXPENSES</b>		
Trust administration cost	\$ 760,553	\$ 760,553
<b>TOTAL COMMUNITY FACILITIES AND ASSOCIATION EXPENSES</b>	<b>760,553</b>	<b>760,553</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Legal fees	5,248	11,729
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>5,248</b>	<b>11,729</b>
<b>OPERATING EXPENSES</b>		
Electricity	17,213	14,760
Water	67,856	80,255
Rubbish removal	43,043	45,264
<b>TOTAL OPERATING EXPENSES</b>	<b>128,112</b>	<b>140,279</b>
<b>MAINTENANCE AND REPAIR EXPENSES</b>		
Outside replacements and maintenance	30,118	31,015
Outside grounds maintenance	172,956	146,262
Service maintenance - standard	52,441	48,216
Service maintenance - replacement	36,428	-
Transfers from replacement reserve	(36,428)	-
<b>TOTAL MAINTENANCE AND REPAIR EXPENSES</b>	<b>255,515</b>	<b>225,493</b>
<b>TAXES AND INSURANCE EXPENSES</b>		
Income taxes (Note 1)	4,359	708
Hazard insurance	120,736	129,731
<b>TOTAL TAXES AND INSURANCE EXPENSES</b>	<b>125,095</b>	<b>130,439</b>
<b>FINANCIAL EXPENSES</b>		
Bank service fee	2,171	669
<b>TOTAL FINANCIAL EXPENSES</b>	<b>2,171</b>	<b>669</b>
<b>TOTAL DIRECT OPERATING EXPENSES</b>	<b>\$ 1,276,694</b>	<b>\$ 1,269,162</b>

See accompanying independent auditors' report.

SEAL BEACH MUTUAL NO. FOURTEEN  
 SUPPLEMENTARY INFORMATION REGARDING FUNDS FOR FUTURE REPAIRS  
 (Unaudited)  
 December 31, 2023

While preparing the annual operating budget, the Board reviews the conditions and assumptions regarding the common interest of the Mutual. This review consists of updating the replacement cost and remaining useful life of the Mutual's common interest property. This data is used to develop reserve requirements using the formula set forth in Civil Code 5570 (b) (4). Except as noted below, the Board expects to finance all replacements through regular assessments to the shareholders. Accordingly, the Board does not plan any special assessments.

Fund	Estimated Remaining Life	Current Replacement Cost	Reserve Balance		Annual Contribution	Per Unit Per Month	
			Required	Est Beg Bal			
Appliance		58,856	58,856	43,551	15,305		Note (1)
	Monthly contribution to the Appliance Fund					\$ 3.89	
Painting	0 - 2	373,600	301,480	197,661	53,600		Note (2)
Roofing	0 - 54	3,178,500	776,617	410,589	286,279		Note (3)
Infrastructure	0 - 21	339,600	248,859	201,973	58,467		Note (4)
	Contribution to Replacement Reserves		1,326,956	810,223	398,346	101.21	
Contingency Operating Fund				205,277	49,167	12.49	Note (5)
		Total for Budget		\$ 1,059,051	\$ 462,818	\$ 117.59	

**Notes:**

- Note 1. *The appliance fund is used to fund the replacement of appliances and fixtures. The value of this fund is calculated annually and is the five-year average units replaced times the current replacement cost adjusted for planned expenditures during the budget year. Current installed replacement cost for this calculation is \$75,734 and the adjustment is a \$16,878 decrease for a total requirement of \$58,856. The board approved the 2023 funding of this reserve for \$15,305.*
- Note 2. *The board determined funding of \$53,600 for 2023.*
- Note 3. *The board determined funding of \$286,279 for 2023.*
- Note 4. *The board determined funding of \$58,467 for 2023.*
- Note 5. *The contingency fund includes funding for sewer repairs. The board determined funding of \$49,167 for 2023.*

See accompanying independent auditors' report.