

VanDerPol and Company

A Professional Accountancy Corporation

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

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

September 11, 2025

Ladera Ranch Maintenance Corporation
c/o FirstService Residential California, LLC
15241 Laguna Canyon Road
Irvine, California 92618

To the Board of Directors:

Enclosed you will find the final version of the financial statements for Ladera Ranch Maintenance Corporation. These statements should be distributed to the owners, in their **entirety**. If you should have any questions, please contact our office for further explanation.

Again, it has been a pleasure providing service for your Association.

Sincerely,



VanDerPol and Company
A Professional Accountancy Corporation

Enclosures

LADERA RANCH MAINTENANCE CORPORATION
AUDITED FINANCIAL STATEMENTS
MAY 31, 2025

LADERA RANCH MAINTENANCE CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Owners
Ladera Ranch Maintenance Corporation

Opinion

We have audited the accompanying financial statements of Ladera Ranch Maintenance Corporation, which comprise the balance sheet as of May 31, 2025, 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 Ladera Ranch Maintenance Corporation as of May 31, 2025, 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 Ladera Ranch Maintenance Corporation 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 Ladera Ranch Maintenance Corporation'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 Ladera Ranch Maintenance Corporation'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 Ladera Ranch Maintenance Corporation'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 19-21 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

September 4, 2025

LADERA RANCH MAINTENANCE CORPORATION
BALANCE SHEET
AS OF MAY 31, 2025

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents [Note 2]	\$ 1,309,053	\$ 193,235	\$ 1,502,288
Cash and cash equivalents - Special Benefit Areas [Note 2]	978,099	124,480	1,102,579
Member accounts receivable, less allowance for doubtful collection of \$252,000 [Note 3]	273,418	--	273,418
Investments [Note 12]	1,788,687	10,423,630	12,212,317
Investments - Special Benefit Areas [Note 12]	935,709	4,768,381	5,704,090
Association vehicles, less accumulated depreciation of \$339,169	254,652	--	254,652
Accrued interest receivable	8,957	71,802	80,759
Accrued interest receivable - Special Benefit Areas	13,138	14,871	28,009
Other receivable	2	--	2
Prepaid expenses	139,161	--	139,161
Due (to)/from fund	<u>202,225</u>	<u>(202,225)</u>	<u>--</u>
Total Assets	<u><u>\$ 5,903,101</u></u>	<u><u>\$ 15,394,174</u></u>	<u><u>\$ 21,297,275</u></u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 804,327	\$ 532,420	\$ 1,336,747
Accounts payable - Special Benefit Areas	158,654	180,095	338,749
Prepaid assessments	670,146	--	670,146
Deferred revenue [Note 17]	1,225,118	--	1,225,118
Net commercial/retail liability [Note 10]	67,574	--	67,574
Custom lot/architectural refundable deposits [Note 8]	332,418	--	332,418
Deposits held - clubhouse	7,050	--	7,050
Contract liabilities [Note 4]	<u>--</u>	<u>12,627,205</u>	<u>12,627,205</u>
Total Liabilities	3,265,287	13,339,720	16,605,007
FUND BALANCES [Note 16]	<u>2,637,814</u>	<u>2,054,454</u>	<u>4,692,268</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,903,101</u></u>	<u><u>\$ 15,394,174</u></u>	<u><u>\$ 21,297,275</u></u>

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

LADERA RANCH MAINTENANCE CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2025

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Member assessments - Master	\$ 13,256,160	\$ 4,990,486	\$ 18,246,646
Special Benefit Area assessments [Pages 17 and 18]	5,005,933	4,615,650	9,621,583
Apartment assessments	1,065,636	--	1,065,636
Commercial/retail area assessments	279,705	--	279,705
High speed data revenue	1,909,234	--	1,909,234
Sports Park sponsorship	201,200	--	201,200
Investment income - Master	101,852	443,240	545,092
Investment income - Special Benefit Areas [Pages 17 and 18]	22,279	217,891	240,170
Water reimbursement	308,641	--	308,641
Legal fee reimbursement [Note 13]	175,000	--	175,000
Other income	706,167	--	706,167
Other income - Special Benefit Areas [Pages 17 and 18]	15,375	--	15,375
	<u>23,047,182</u>	<u>10,267,267</u>	<u>33,314,449</u>
Total Revenues			
MASTER EXPENSES:			
Utilities	1,179,412	--	1,179,412
Facilities:			
Facility staff	2,929,235	--	2,929,235
Avendale Village Club	155,368	190,958	346,326
Flintridge Club	117,726	175,235	292,961
Oak Knoll Club	162,975	129,840	292,815
Covenant Hills Village Club	113,639	150,085	263,724
Terramor Village Club	65,988	1,264,266	1,330,254
Land maintenance	4,989,957	1,018,615	6,008,572
Parks, fields, and plunges	1,164,238	1,540,881	2,705,119
Other common area maintenance	2,393,940	188,239	2,582,179
Patrol service	653,976	--	653,976
Administrative:			
Insurance	171,143	--	171,143
Management	512,978	--	512,978
Professional fees	316,841	--	316,841
Other administrative expenses	486,762	--	486,762
Bad debt expense	135,369	--	135,369
Depreciation expense	32,260	--	32,260
Corporate and retail centers	279,705	--	279,705
Bulk data services: High speed data	1,687,373	--	1,687,373
SPECIAL BENEFIT AREA EXPENSES:			
Utilities [Pages 17 and 18]	905,303	--	905,303
Common area expenses [Pages 17 and 18]	3,982,734	4,615,650	8,598,384
Administrative [Pages 17 and 18]	209,292	--	209,292
Bad debt expense [Pages 17 and 18]	8,874	--	8,874
	<u>22,655,088</u>	<u>9,273,769</u>	<u>31,928,857</u>
Total Expenses			
EXCESS OF REVENUES OVER EXPENSES	392,094	993,498	1,385,592
Beginning Fund Balances [Note 16]	1,882,151	1,393,323	3,275,474
Interfund Transfers	332,367	(332,367)	--
Prior Period Adjustment [Note 11]	31,202	--	31,202
Ending Fund Balances [Note 15]	<u>\$ 2,637,814</u>	<u>\$ 2,054,454</u>	<u>\$ 4,692,268</u>

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

LADERA RANCH MAINTENANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2025

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities			
Excess of revenues over expenses	\$ 392,094	\$ 993,498	\$ 1,385,592
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:			
Depreciation	32,260	--	32,260
Increase in member accounts receivable	(51,631)	--	(51,631)
Decrease in accrued interest receivable	3,002	20,423	23,425
(Increase)/decrease in accrued interest receivable - Special Benefit Areas	(1,441)	2,113	672
Increase in prepaid expenses	(19,297)	--	(19,297)
Increase in accounts payable and accrued expenses	224,544	307,627	532,171
Increase in accounts payable - Special Benefit Areas	6,349	172,181	178,530
Increase in prepaid assessments	4,800	--	4,800
Decrease in deferred revenue	(302,114)	--	(302,114)
Increase in net commercial/retail liability	27,518	--	27,518
Increase in custom lot/architectural refundable deposits	42,269	--	42,269
Decrease in contract liabilities	--	(2,951,621)	(2,951,621)
Change in due to/(from) fund	(686,583)	686,583	--
Net cash used by operating activities	<u>(328,230)</u>	<u>(769,196)</u>	<u>(1,097,426)</u>
Cash flows from investing activities			
Acquisition of certificates of deposit	(1,427,000)	(6,636,000)	(8,063,000)
Maturity of certificates of deposit	1,674,000	7,168,000	8,842,000
Acquisition of mutual funds	(407,396)	(3,194,011)	(3,601,407)
Maturity of mutual funds	711,171	3,222,971	3,934,142
Acquisition of association vehicles	(282,947)	--	(282,947)
Net cash provided by investing activities	<u>267,828</u>	<u>560,960</u>	<u>828,788</u>
Cash flows from financing activities			
Interfund transfers	332,367	(332,367)	--
Net increase/(decrease) in cash	271,965	(540,603)	(268,638)
Cash at beginning of year	<u>2,015,187</u>	<u>858,318</u>	<u>2,873,505</u>
Cash at end of year	<u><u>\$ 2,287,152</u></u>	<u><u>\$ 317,715</u></u>	<u><u>\$ 2,604,867</u></u>

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

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 1. ORGANIZATION

Ladera Ranch Maintenance Corporation [the Corporation] is a statutory homeowners association which was organized as a non-profit public benefit corporation in May 1998. The Corporation, which is located in Orange County, California, serves as a master association covering approximately 4,000 acres. The purpose of the Corporation is primarily to maintain, preserve and control the defined common areas of this master planned residential community. Certain owners also pay additional assessments for separate maintenance costs referred to as "special benefit areas" which are known as Slope 1, Slope 2, Front Yard, Covenant Hills, and Christopher Homes. The Corporation includes 6,807 units and 1,286 apartment units [which are billed on a 3:1 ratio].

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting - The books and records for the Corporation are maintained on a modified accrual basis of accounting. For these financial statements, adjustments have been made at May 31, 2025 to convert the Corporation'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 Corporation 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 May 31, 2025, there were no significant personal property additions.

Fund Accounting - The Corporation'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 respective 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 - The Corporation considers highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 3. ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Corporation members are subject to paying assessments to fund the Corporation'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 Corporation (an entity) has a performance obligation to the unit/unit owners (customers). The Corporation's approved annual Operating Fund budget establishes the maintenance, management, and administrative services that the Corporation 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 fiscal year ended May 31, 2025, the Corporation's monthly assessment was \$225 per unit. Homeowners residing within one of the five "Special Benefit Areas" also paid an additional assessment, based upon the respective area's budget, for related costs and maintenance. The special benefit area assessments for the year ended May 31, 2025 for Slope 1, Slope 2, Front Yard, Covenant Hills, and Christopher Homes were \$41, \$47, \$137, \$413, and \$83, respectively.

For the fiscal year ending May 31, 2026, the monthly assessment has been raised to \$231 per unit. Homeowners residing within one of the five "Special Benefit Areas" will continue to pay additional assessments in accordance with the respective area's budget requirements. The special benefit area assessments for the fiscal year ending May 31, 2026 for Slope 1, Slope 2, Front Yard, Covenant Hills, and Christopher Homes are \$42, \$56, \$145, \$429, and \$85, respectively.

Corporation members are subject to paying assessments to fund for the Corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at May 31, 2025 represent assessments and other fees due from owners. The Corporation's governing documents provide for various collection remedies for delinquent assessments, including suspension of privileges, filing of liens on the owner's unit, foreclosing on the unit owner, or obtaining judgment on other assets of the unit owner. At May 31, 2025, the Corporation has recorded an allowance for uncollectible assessments of \$252,000. 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. Bad debt expense will still be used to account for uncollectible receivable balances that were recorded in prior periods.

NOTE 4. CONTRACT LIABILITIES

The Corporation recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Corporation has the right to receive payment in advance of the satisfaction of performance obligations which specifically pertains to Replacement Fund assessments. For the fiscal year ended May 31, 2025, the Corporation funded a combined amount of \$6,654,515 from total assessments to the Replacement Fund. The contract liability balance at the beginning of the year and end of the year was \$15,578,826 and \$12,627,205, respectively.

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

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

NOTE 6. REPLACEMENT FUNDING PROGRAM

In accordance with the Corporation's governing documents, which require that funds be accumulated for future major repairs and replacements, the Corporation 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 Corporation's replacement funding programs were updated in 2025 and recommend contributions to the Replacement Fund of approximately \$3,481,708 for the Master Association, \$44,280 for the Slope Area 1 Special Benefit Area, \$247,732 for the Slope Area 2 Special Benefit Area, \$545,775 for the Front Yard Special Benefit Area, \$2,371,152 for the Covenant Hills Special Benefit Area, and \$19,816 for the Christopher Homes Special Benefit Area for the fiscal year ending May 31, 2026. 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 May 31, 2025, the Corporation funded a combined amount of \$6,777,289 from total assessments to the Replacement Fund. The 2025/2026 budgets include a combined provision for replacement funding totaling \$6,615,448. The table included in the unaudited supplementary information on future major repairs and replacements is based on the studies.

The Corporation 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 Corporation has the right, subject to the Corporation's governing documents, to pass special assessments, increase monthly assessments, or delay replacement until funds are available.

NOTE 7. INCOME TAXES

The Corporation has been granted tax exempt status under the Internal Revenue Code Section 501(c)(4) and California Revenue and Taxation Code Section 23701f and therefore subject to income tax only on income unrelated to its exempt purpose. For the year ended May 31, 2025, there was no federal or California income tax expense.

The Corporation 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 Corporation's assets and liabilities, the Corporation has not recorded any deferred tax assets or liabilities.

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 7. INCOME TAXES – (CONTINUED)

The Corporation 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 Corporation in its federal and state income tax returns are more likely than not to be sustained upon examination. The Corporation'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. CUSTOM LOT/ARCHITECTURAL REFUNDABLE DEPOSITS

The Corporation collects construction deposits from certain owners in the Corporation to ensure that they will comply with certain architectural and landscape requirements. The deposits also cover any damages made to common areas during construction. These deposits are refundable upon satisfactory completion of the requirements, less any necessary maintenance costs incurred.

NOTE 9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

There were no cash payments for income taxes for the year ended May 31, 2025. No interest was paid and there were no non-cash investing or financing transactions during the year.

NOTE 10. COMMERCIAL/RETAIL REIMBURSEMENT

The Corporation and the commercial and retail areas [Corporate Terrace, Mercantile East, Bridgepark Retail, and Mercantile West] have entered into an agreement regarding the exterior common area maintenance. Revenue collected from the commercial and retail areas covers their portion of the common area maintenance, landscape and related expenses. Any surplus collected over expenses is to be reimbursed to the commercial and retail areas, or any deficit is to be reimbursed to the Corporation. As of May 31, 2025, a net liability of \$67,574 due to the commercial and retail areas was recorded in these financial statements.

NOTE 11. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$31,202 was made to the beginning Operating Fund Balance as of May 31, 2025, to correct an overstated liability (net commercial/retail liability) at May 31, 2024. A prior period adjustment is appropriate in order to avoid distorting the current years' operating results.

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 12. INVESTMENTS

The Corporation's investments consist of open-end non-sweep mutual funds and certificates of deposit 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. Investments are made based on the Corporation's investment policy which restricts the types of investments that can be made.

At May 31, 2025, the Corporation's investments were as follows:

Operating Fund - Master:

Certificates of deposit - maturities ranging from 8/15/25 to 12/31/26 with interest rates ranging from 3.75% to 5.00%	\$ 1,497,000
Open-end non-sweep mutual funds	<u>291,687</u>
Total Investments - Operating Fund	<u><u>\$ 1,788,687</u></u>

Operating Fund - Special Benefit Areas:

Certificates of deposit - maturities ranging from 6/13/25 to 8/31/26 with interest rates ranging from 4.00% to 5.10%	\$ 820,000
Open-end non-sweep mutual funds	<u>115,709</u>
Total Investments - Operating Fund	<u><u>935,709</u></u>

Replacement Fund - Master:

Certificates of deposit - maturities ranging from 6/5/25 to 11/26/27 with interest rates ranging from 3.70% to 5.40%	\$ 8,542,000
Open-end non-sweep mutual funds	<u>1,881,630</u>
Total Investments - Replacement Fund	<u><u>\$ 10,423,630</u></u>

Replacement Fund - Special Benefit Areas:

Certificates of deposit - maturities ranging from to 7/7/25 to 5/28/27 with interest rates ranging from 0.75% to 5.35%	\$ 3,456,000
Open-end non-sweep mutual funds	<u>1,312,381</u>
Total Investments - Replacement Fund	<u><u>\$ 4,768,381</u></u>

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 13. LEGAL

On July 19, 2016, the Corporation filed a complaint against homeowners for breach of the Covenants, Conditions & Restrictions [CC&Rs] for unauthorized installation of a tarp and removal of certain street trees. The defendants filed a cross-complaint alleging breach of the CC&Rs and declaratory relief. In August 2016, the defendants filed a cross-complaint. The Corporation tendered this matter to its insurance carrier for defense. On February 2021, the Court issued a judgment in favor of the Corporation on both the complaint and cross-complaint. The Corporation filed motions seeking recover of attorneys' fees and costs incurred in connection with the litigation. On August 31, 2021, the Court granted the Corporation's motions and entered an amended judgment. On April 1, 2021, the defendant filed a notice of appeal on the judgment and on September 27, 2021 filed a notice of appeal on the amended judgment. In August 2022, the Court of Appeal affirmed the Court's judgment. On January 9, 2023, the Court of Appeal reversed the Court's amended judgment. In September 2024, the parties reached a settlement whereby the Association received \$175,000 for reimbursement of attorney's fees. This matter has been concluded and dismissed.

On February 14, 2023, a lawsuit was filed against the Corporation alleging claims of nuisance, breach of CC&Rs and declaratory relief regarding an architectural matter. The Corporation tendered this matter to its insurance carrier for defense. On April 12, 2023, the Corporation filed a cross-complaint. In January 2025, the matter was dismissed and the case is concluded.

On October 18, 2023, a lawsuit was filed against the Corporation, along with other parties, regarding alleged personal injuries suffered in the community. This matter was tendered to the Corporation's insurance carrier for defense. A jury trial is scheduled for December 15, 2025. As this matter is pending, the outcome cannot be determined at this time.

On October 30, 2023, a neighboring association filed a complaint against the Corporation alleging various causes of action regarding the assessments for the Covenant Hills special benefit area. The Corporation tendered this matter to its insurance carrier for defense. A court trial is scheduled for December 15, 2025. As this matter is pending, the outcome cannot be determined at this time.

On March 6, 2024, the Corporation was named in a lawsuit, along with other parties, alleging breach of contract and negligence. The Corporation has tendered this matter to its insurance carrier for defense. A jury trial is scheduled for March 2, 2026. As this matter is pending, the outcome cannot be determined at this time.

On July 18, 2024, a lawsuit was filed against the Corporation, along with another party, regarding alleged personal injuries suffered in the community. This matter was tendered to the Corporation's insurance carrier for defense. A jury trial is scheduled for February 9, 2026. As this matter is pending, the outcome cannot be determined at this time.

From time to time, the Corporation is involved in legal proceedings with homeowners arising in the ordinary course of enforcing the Corporation's rules and regulations. The Corporation believes that any current matters will not likely have a material adverse effect on its results of operations or financial condition.

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 14. ASSOCIATION UNITS

The Corporation foreclosed on several units within the community. In order to mitigate the loss of assessment income on these units, the Corporation began renting out some of the foreclosed units. All rental income has been applied to assessments owed and actual expenses and maintenance of the related foreclosed units. Any excess rental income over the actual expenditures and assessments has been recorded as a liability as of May 31, 2025. In light of market conditions, and the non-recourse aspects of the loans, the units have not been assigned an asset value or corresponding mortgage loan liability.

NOTE 15. CONCENTRATION OF RISK

The Corporation maintains an operating account at one financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000; however due to the Corporation's operating requirements, the account balances periodically exceed the FDIC limit. The Corporation's management company provides separate bond insurance for this institution for amounts in excess of the FDIC coverage, thereby eliminating the risk of uninsured funds for this institution. However, at May 31, 2025, \$175,000 was exposed to this risk with the funds held in the two separate bank accounts.

NOTE 16. FUND BALANCES

The Corporation's Operating Fund Balances and Replacement Fund Balances were comprised of the following:

	<u>Operating Fund</u>	<u>Replacement Fund</u>
<u>Master:</u>		
Beginning Fund Balances: June 1, 2024	\$ 120,371	\$ 904,708
Excess of Revenues Over Expenses	427,645	775,607
Interfund Transfers	332,367	(332,367)
Prior Period Adjustment	<u>31,202</u>	<u>--</u>
Ending Fund Balances: May 31, 2025	<u>\$ 911,585</u>	<u>\$ 1,347,948</u>
<u>Special Benefit Areas:</u>		
Beginning Fund Balances: June 1, 2024	\$ 1,761,780	\$ 488,615
Excess of Revenues Over/(Under) Expenses	<u>(35,551)</u>	<u>217,891</u>
Ending Fund Balances: May 31, 2025	<u>\$ 1,726,229</u>	<u>\$ 706,506</u>
Total Combined Ending Fund Balances	<u><u>\$ 2,637,814</u></u>	<u><u>\$ 2,054,454</u></u>

LADERA RANCH MAINTENANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 17. DEFERRED REVENUE/MARKETING AGREEMENT

On January 1, 2024, the Corporation entered into a five-year service agreement with Cox Communications (Cox) for bulk internet services. The Corporation also received a net bonus of \$1,636,320, which is being amortized over the five-year agreement. For the fiscal year ending May 31, 2025, the Corporation recorded deferred revenue of \$1,225,118. Cox will also pay additional revenue share compensation to the Corporation relating to certain services (video, Homelife and phone). The Corporation shall receive 8% of service revenue on a quarterly basis.

Additionally, Cox has agreed to the exclusive sponsorship of the Sports Park and shall pay the Corporation \$210,000 per year with equal payments of \$52,500 every three months [beginning January 1, 2024 through May 31, 2029]. As a further exclusive sponsorship of the Ladera Ranch community, Cox has agreed to pay the Corporation \$11,000 annually [beginning February 1, 2024 through May 31, 2029].

As a contribution towards the Corporation's purchase video services, Cox has agreed to pay the Corporation \$7,800 annually [beginning February 1, 2024 through May 31, 2029].

NOTE 18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 4, 2025, which is the date the financial statements were available to be issued.

LADERA RANCH MAINTENANCE CORPORATION
SCHEDULE OF SPECIAL BENEFIT AREA REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2025

	SLOPE AREA 1		SLOPE AREA 2		FRONT YARD	
	Operating Fund	Replacement Fund	Operating Fund	Replacement Fund	Operating Fund	Replacement Fund
REVENUES						
Member assessments	\$ 138,066	\$ 11,104	\$ 544,047	\$ 170,062	\$ 1,393,764	\$ 595,509
Interest	1,285	4,604	4,265	4,041	5,292	110,460
Total Revenues	139,351	15,708	548,312	174,103	1,399,056	705,969
EXPENSES						
Utilities:	28,812	--	145,685	--	285,237	--
Common area expenses:						
Landscape maintenance and supplies	83,378	11,104	405,928	170,062	1,029,849	155,625
Asphalt/concrete work	--	--	--	--	--	380,985
Other common area maintenance	4,192	--	6,098	--	66,894	58,899
Total common area expenses:	87,570	11,104	412,026	170,062	1,096,743	595,509
Administrative:						
Insurance	3,292	--	3,704	--	3,703	--
Management	8,859	--	8,859	--	8,859	--
Other administrative expenses	365	--	376	--	724	--
Bad debt expense	22	--	897	--	1,942	--
Total administrative expenses:	12,538	--	13,836	--	15,228	--
Total Expenses	128,920	11,104	571,547	170,062	1,397,208	595,509
EXCESS OF REVENUES OVER/(UNDER) EXPENSES	10,431	4,604	(23,235)	4,041	1,848	110,460
Beginning Fund Balances	59,104	21,162	85,527	10,723	218,319	261,771
Ending Fund Balances	\$ 69,535	\$ 25,766	\$ 62,292	\$ 14,764	\$ 220,167	\$ 372,231

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

LADERA RANCH MAINTENANCE CORPORATION
SCHEDULE OF SPECIAL BENEFIT AREA REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2025

	COVENANT HILLS		CHRISTOPHER HOMES		TOTAL	
	Operating Fund	Replacement Fund	Operating Fund	Replacement Fund	Operating Fund	Replacement Fund
REVENUES						
Member assessments	\$ 2,913,820	\$ 3,831,795	\$ 16,236	\$ 7,180	\$ 5,005,933	\$ 4,615,650
Interest	11,437	93,784	--	5,002	22,279	217,891
Other income	15,375	--	--	--	15,375	--
Total Revenues	2,940,632	3,925,579	16,236	12,182	5,043,587	4,833,541
EXPENSES						
Utilities:	443,650	--	1,919	--	905,303	--
Common area expenses:						
Landscape maintenance and supplies	1,423,786	403,954	3,824	--	2,946,765	740,745
Gate attendant	534,552	--	--	--	534,552	--
Asphalt/concrete work	--	3,364,496	--	7,180	--	3,752,661
Other common area maintenance	389,392	63,345	7,776	--	474,352	122,244
Total common area expenses:	2,347,730	3,831,795	11,600	7,180	3,955,669	4,615,650
Administrative:						
Insurance	74,548	--	365	--	85,612	--
Management	77,278	--	--	--	103,855	--
Other administrative expenses	17,985	--	375	--	19,825	--
Bad debt expense/(recovery)	6,064	--	(51)	--	8,874	--
Total administrative expenses:	175,875	--	689	--	218,166	--
Total Expenses	2,967,255	3,831,795	14,208	7,180	5,079,138	4,615,650
EXCESS OF REVENUES OVER/(UNDER) EXPENSES	(26,623)	93,784	2,028	5,002	(35,551)	217,891
Beginning Fund Balances	1,362,087	189,347	36,743	5,612	1,761,780	488,615
Ending Fund Balances	\$ 1,335,464	\$ 283,131	\$ 38,771	\$ 10,614	\$ 1,726,229	\$ 706,506

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

LADERA RANCH MAINTENANCE CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF MAY 31, 2025
(UNAUDITED)

Independent reserve studies were conducted in 2025 to estimate the remaining useful lives and the replacement costs of the components of common property. The studies were based upon representations by the Board of Directors and the experience and knowledge of the independent reserve analyst. The estimates were based on current replacement costs adjusted for an annual inflation rate of 3.0%. These estimates are used as a foundation in arriving at recommended funding requirements, based upon cash and investments which have been collected for future repairs and replacements, earning a yield on funds ranging from 1.5% to 4.0%.

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

Common Area Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2025/2026 Recommended Funding Requirement	Study's Recommended Fund Balance as of 5/31/2025	Contract liability and Replacement Fund Balance as of 5/31/2025
Ladera Ranch - Master:					
Parks	0-23 years	\$ 8,968,697	\$ 829,896	\$ 4,646,002	
Avendale Club	0-17 years	1,556,752	152,130	930,244	
Bluff Top Trail	0-6 years	32,670	1,673	28,676	
Boreal Plunge	0-19 years	746,098	68,368	306,753	
Bridgepark Plaza	2 years	15,914	3,122	9,548	
Celestial Plunge	0-19 years	625,350	49,088	400,057	
Cherry Plunge	0-18 years	497,019	48,514	281,743	
Covenant Hills Club	0-17 years	1,467,525	136,930	954,623	
Creighton Plunge	0-19 years	436,811	44,511	291,498	
Flintridge Club	0-18 years	1,394,934	151,689	886,458	
Common areas	0-23 years	4,613,683	1,338,166	2,903,283	
Mercantile East/West	2 years	37,132	7,284	22,279	
Oak Knoll Club	0-17 years	2,031,926	193,153	1,444,738	
Oak Knoll Garden	0 years	134,870	10,092	134,870	
Oso Grande	0-17 years	993,943	83,323	534,807	
Paseo	0-11 years	545,010	40,612	420,927	
Sienna Botanica	0-20 years	300,848	31,136	248,788	
Terramor Club	0-29 years	2,979,556	221,278	946,892	
Terramor Garden	0-6 years	31,450	3,534	26,674	
Town Green	0-10 years	143,767	14,865	85,828	
Town Plunge	0-19 years	531,143	49,222	279,920	
UAC Corporate Terrace	0 years	15,914	3,122	15,914	
Sub-total - Master:		\$ 28,101,012	\$ 3,481,708	\$ 15,800,522	\$ 10,404,885

LADERA RANCH MAINTENANCE CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF MAY 31, 2025
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[CONTINUED]

<u>Common Area Component</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>2025/2026 Recommended Funding Requirement</u>	<u>Study's Recommended Fund Balance as of 5/31/2025</u>	<u>Contract liability and Replacement Fund Balance as of 5/31/2025</u>
Slope Area 1:					
Irrigation	0-7 years	\$ 52,539	\$ 10,575	\$ 42,806	
Landscape	0 years	234,135	33,705	75,000	
Sub-total - Slope Area 1:		<u>\$ 286,674</u>	<u>\$ 44,280</u>	<u>\$ 117,806</u>	<u>\$ 111,233</u>
Slope Area 2:					
Irrigation	0-7 years	\$ 685,430	\$ 49,261	\$ 577,304	
Landscape	0-5 years	2,630,000	198,471	2,262,070	
Sub-total - Slope Area 2:		<u>\$ 3,315,430</u>	<u>\$ 247,732</u>	<u>\$ 2,839,374</u>	<u>\$ 54,944</u>
Front Yard:					
Arborage	0-4 years	\$ 60,894	\$ 2,515	\$ 53,864	
Astoria	4-14 years	60,493	3,948	31,751	
Claiborne	0-9 years	99,725	5,122	83,970	
Front street	0-19 years	51,113	1,596	35,587	
Grounds	0-4 years	340,160	88,923	254,286	
Lighting	5-14 years	629,853	15,963	421,044	
Painting	0 years	178,444	30,854	178,444	
Park furnishings	1-3 years	73,202	2,468	67,091	
Asphalt/concrete	1-18 years	7,546,714	352,608	2,783,638	
Potters Bend	5-15 years	59,803	3,551	20,081	
Savannah/Baywood	0-18 years	55,220	2,349	14,296	
Surrey Farm	0-18 years	157,862	10,044	102,746	
Tarleton	0-16 years	72,141	2,971	24,047	
The Gables	0-9 years	46,150	1,746	37,709	
The Trails	0 years	51,984	1,718	51,984	
Walden Park	0-19 years	131,446	5,957	85,116	
Westcott	0-15 years	132,479	13,442	56,407	
Sub-total - Front Yard:		<u>\$ 9,747,683</u>	<u>\$ 545,775</u>	<u>\$ 4,302,061</u>	<u>\$ 2,708,214</u>

LADERA RANCH MAINTENANCE CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF MAY 31, 2025
(UNAUDITED)
[CONTINUED]

Common Area Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2025/2026 Recommended Funding Requirement	Study's Recommended Fund Balance as of 5/31/2025	Contract liability and Replacement Fund Balance as of 5/31/2025
Covenant Hills:					
Asphalt/concrete	0-34 years	\$ 29,903,789	\$ 1,594,417	\$ 18,099,873	
Common area furnishings	0-8 years	156,005	11,499	127,862	
Fences/gates/rails	1-20 years	118,538	7,091	105,834	
Gatehouses	0-10 years	701,076	119,808	651,471	
Landscape/irrigation	0-8 years	865,823	565,924	593,710	
Lighting/electrical	5 years	75,377	4,229	60,302	
Painting	1-11 years	189,461	26,110	24,866	
Rear fence relocation	3-20 years	750,000	42,074	432,000	
Sub-total - Covenant Hills:		<u>\$ 32,760,069</u>	<u>\$ 2,371,152</u>	<u>\$ 20,095,918</u>	<u>\$ 1,283,353</u>
Christopher Homes:					
Asphalt/concrete	2-19 years	\$ 399,695	\$ 13,457	\$ 51,933	
Fences/walls/pillars	2-28 years	37,304	1,589	8,679	
Landscape/irrigation	0-12 years	14,206	2,292	11,716	
Miscellaneous	5-18 years	19,330	578	6,996	
Painting	2 years	9,854	1,900	3,285	
Sub-total - Christopher Homes:		<u>\$ 480,389</u>	<u>\$ 19,816</u>	<u>\$ 82,609</u>	<u>\$ 119,030</u>
Sub-totals - Special Benefit Areas:		<u>\$ 46,590,245</u>	<u>\$ 3,228,755</u>	<u>\$ 27,437,768</u>	<u>\$ 4,276,774</u>
Total - Master and Special Benefit Areas:		<u><u>\$ 74,691,257</u></u>	<u><u>\$ 6,710,463</u></u>	<u><u>\$ 43,238,290</u></u>	<u><u>\$ 14,681,659</u></u>