

**AGENDA**  
**REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS**  
**SEAL BEACH MUTUAL TEN**  
**May 31, 2023**  
**Meeting begins at 9:00 a.m.**  
**Conference Room A and Zoom Video and Call Conference Meeting**

**TO ATTEND ON ZOOM:** The Shareholder will be provided with instructions on how to access the call via Zoom/telephone upon the Shareholder contacting Mutual Administration and requesting the log-in information. Please submit your information, including your name, Unit number, and telephone number, via e-mail at [mutualsecretaries@lwsb.com](mailto:mutualsecretaries@lwsb.com) or by calling (562) 431-6586 ext. 313, by no later than 3:00 p.m., the business day before the date of the meeting.

**TO PROVIDE COMMENTS DURING MEETING VIA ZOOM:** In order to make a comment during the open Shareholder Comments, the Shareholder must (i) notify their designated 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 at [mutualsecretaries@lwsb.com](mailto:mutualsecretaries@lwsb.com), no later than 3:00 p.m. on 05/30/2023, the business day before the date of the meeting.

**1. CALL TO ORDER - BOARD ROOM DECORUM**

**2. ROLL CALL**

**3. INTRODUCTION OF GRF REPRESENTATIVE, STAFF, AND GUEST(S):**

Carol Levine, GRF Representative  
Mallorie Hall, Sr. Director of Member Services  
Diane Schultze, Mutual Accountant  
Ryan Quental, Building Inspector  
Ripa Barua, Senior Portfolio Specialist  
Antoine Jackson, Portfolio Specialist

**4. GUEST SPEAKER** Mallorie Hall / Diane Schultze  
a. Discuss and vote to accept the 2022 drafted audited Financial Statement (pp. 4-23)

**5. SHAREHOLDERS' COMMENTS (4 minutes per shareholder; CFO Giles will time.)**

**6. APPROVAL OF MINUTES**  
a. Approval of Regular Meeting Minutes of April 26, 2023.  
b. Approval of Special Meeting Minutes of May 9, 2023. (pp. 24)  
c. Approval of the Organizational Meeting Minutes from May 16, 2023. (pp.25-26)

**7. GRF REPRESENTATIVE**  
a. Discuss GRF Bylaw Amendments Carol Levine

**8. BUILDING INSPECTOR'S REPORT** Ryan Quental  
Permit Activity; Escrow Activity; Contracts & Projects; Shareholder and Mutual Requests (p. 27)  
a. Discuss and vote to approve the J&J to begin Re-Mulching around the trees. (p.

28)

- b. Discuss and vote to approve the Fenn Pest Control 3 Year Bait station Contract. (p. 29) (Handout)

9. CONSENT CALENDAR

Michael Giles

- a. Discuss and vote to authorize transfers of funds for Mutual Ten (p. 30)

10. CHIEF FINANCIAL OFFICER'S REPORT

Michael Giles

- a. Approval of Mutual Monthly Finances (p. 31)

11. SECRETARY/CORRESPONDENCE

Elissa Viglietta

12. **UNFINISHED BUSINESS**

- a. Discussion the Mutual Administration Procedural Motions. (handout)
- b. Discuss and vote to change time limits for shareholder comments. (p. 32)

13. **NEW BUSINESS**

- a. Discuss and vote to approve the temporary use of carport Bldg. 120 Space 19 to unit 255-F. (p. 33)
- b. Discuss and vote to accept the Code of Conduct and Code of Ethics. (p. 34) (Handout)
- c. Discuss Physical Property Plan of Action.
- d. Discuss Carports Plan of Action.
- e. Discuss Reroofing Plan of Action.
- f. Discuss Landscape Plan of Action.
- g. Discuss additional items for Mutual 10 Plan of Action.

**STAFF BREAK BY 11:00 a.m.**

14. PORTFOLIO SPECIALIST REPORT

Ripa Barua

15. ANNOUNCEMENTS – DATES TO REMEMBER

- a. **NEXT REGULAR MONTHLY MEETING: Wednesday, June 28, 2023, 9:00 a.m. Location: Administration, Conference Room A and Via Zoom Video and Call Conference Meeting**

16. COMMITTEE REPORTS

- a. Physical Property Committee
- b. Landscape Committee
- c. Emergency Information Council

17. DIRECTORS' COMMENTS

18. ADJOURNMENT

19. EXECUTIVE SESSION

- a. Legal Matters
- b. Contracts
- c. Assessments / Delinquencies
- d. Disciplinary Hearings

**STAFF WILL LEAVE THE MEETING BY 12:00 p.m.**

# *Mutual Corporation No. Ten*

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## **MEMO**

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO ACCEPT THE 2022 DRAFTED AUDITED FINANCIAL STATEMENT (GUEST SPEAKER, ITEM A)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to accept that the Board of Directors of Seal Beach Mutual Ten, upon a presentation of the Financial Statements as of December 31, 2022, 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 to sign the Management Representation Letter.

"Significant delay of audit issuance due to Restatement of financial statement -

- The prior year financial statements have been restated to recognize the deferred reserve in accordance with ASU 606 and U.S. GAAP as applicable to Common Interest Realty Associations (CIRAs). As a result of the restatement, the deferred reserve funds are recognized as liabilities in the financial statement, instead of the past presentation as owners' equity. Income from deferred reserve is recognized when the related performance obligation is satisfied, which occurs when major repairs or replacements are expended, instead of when cash is collected."

Thanks,  
Alix Gruden, CPA, CCIFP  
Assurance Director, Nonprofit  
CLA (CliftonLarsonAllen LLP)

**SEAL BEACH MUTUAL NO. TEN**  
Financial Statements  
December 31, 2022

DRAFT

**SEAL BEACH MUTUAL NO. TEN  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Seal Beach Mutual No. Ten (the Mutual), which comprise the balance sheet as of December 31, 2022, 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. Ten as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis 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. Ten 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.

#### **Emphasis-of-Matter Regarding a Correction of an Error**

As discussed in Note 6 to the financial statements, certain errors regarding classification of assessments as of December 31, 2021 were discovered during the current year. Accordingly, amounts reported for project reserve and emergency reserve as of December 31, 2021 have been restated in the financial statements now presented. 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. Ten's ability to continue as a going concern for Ten 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 Ten 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. Ten'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. Ten'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 15, 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 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

*DRAFT*

**CliftonLarsonAllen LLP**

Pasadena, California  
May xx, 2023

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SEAL BEACH MUTUAL NO. TEN  
BALANCE SHEET  
December 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)	
1111000 Cash	\$ 20,174
1122000 Money market accounts	<u>197,092</u>
	<u>217,266</u>
Receivables:	
1130500 Members (Note 1)	15,586
1132500 Other receivables	761
1134000 Accrued interest	<u>2,000</u>
	<u>18,347</u>
Other current assets:	
1170000 Undivided beneficiary future interest in community trust funds	669,506
1150000 Prepaid expenses	<u>42,010</u>
	<u>711,516</u>
TOTAL CURRENT ASSETS	<u>947,129</u>

IMPOUND ACCOUNTS (Note 2)

1152500 Money market accounts	152,641
TOTAL IMPOUND ACCOUNTS	<u>152,641</u>

RESTRICTED DEPOSITS (Note 2)

Restricted money market accounts	1,113,167
Restricted investments	<u>200,000</u>
TOTAL RESTRICTED DEPOSITS	<u>1,313,167</u>

FIXED ASSETS

1501000 Land	406,173
1502000 Residences	5,556,894
1518000 Undivided beneficiary future interest in community facilities trust	<u>1,884,567</u>
	<u>7,847,634</u>
1519000 Accumulated depreciation	<u>(3,962,194)</u>
NET FIXED ASSETS	<u>3,885,440</u>

OTHER ASSETS

1650000 Repair and tax deposits (Note 2)	14,442
NET DEFERRED CHARGES	<u>14,442</u>

TOTAL ASSETS \$ 6,312,819  
(continued)

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

SEAL BEACH MUTUAL NO. TEN  
BALANCE SHEET  
December 31, 2022

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

2111000 Payable to Golden Rain Foundation (Note 3)	\$ 46,968
2111700 Project Commitments - Reserves (Note 1)	80,205
2120000 Prepaid monthly dues (Note 1)	28,207
2132100 Other liabilities	15,258
2153500 Property tax accrual	41,483
2180000 Repair and tax deposit liability	7,133
Deferred Reserve (Note 4)	<u>1,232,963</u>
TOTAL CURRENT LIABILITIES	<u>1,452,217</u>
TOTAL LIABILITIES	<u>1,452,217</u>

STOCKHOLDERS' EQUITY (Note 5)

Capital Stock:

3120000 Common stock of par value ranging from \$300 to \$416; authorized, issued and outstanding 276 shares	102,075
3510000 Additional paid-in capital	3,283,100
3448000 Equity in additions to community facilities and trust funds	2,173,476
3449000 Equity in additions to land and residences improvements	3,010,652
3515000 Excess income before depreciation and amortization:	402,228
3649500 Accumulated depreciation and amortization	(4,110,929)
TOTAL STOCKHOLDERS' EQUITY	<u>4,860,602</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 6,312,819

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

SEAL BEACH MUTUAL NO. TEN  
STATEMENT OF OPERATIONS  
(with comparative budget figures)  
For the Year Ended December 31, 2022

	Actual	(Unaudited) Budget
OCCUPANCY INCOME		
Dwelling units, net of reserve funding	\$ 985,560	\$ 985,553
NON OCCUPANCY INCOME		
Release from project reserve	833,870	-
Laundry facilities	7,905	9,605
Interest	2,402	166
Inspection fees	24,250	15,003
Buyers premium Income	14,250	-
Miscellaneous	720	1,192
TOTAL NON OCCUPANCY INCOME	883,397	25,966
TOTAL AVAILABLE FOR OPERATIONS	1,868,957	1,011,519
DIRECT OPERATING EXPENSES (see Supplementary Information)	1,865,496	1,011,519
EXCESS OF INCOME AND TRANSFERS OVER DIRECT OPERATING EXPENSES	3,461	\$ -
DEPRECIATION	134,361	
EXCESS OF DIRECT OPERATING EXPENSES AND DEPRECIATION OVER INCOME AND TRANSFERS	\$ (130,900)	

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

SEAL BEACH MUTUAL NO. TEN  
STATEMENT OF STOCKHOLDERS' EQUITY  
For the Year Ended December 31, 2022

	Capital Stock	Additional Paid In Capital	Equity in Additions to Community Facilities	Equity in Additions to Land and Residences Improvements	Excess Income Before Depreciation and Amortization	Accumulated Depreciation and Amortization	Total Stockholders' Equity
BALANCE AT JANUARY 1, 2022, as restated	\$ 102,075	\$ 3,283,100	\$ 2,014,483	\$ 2,214,650	\$ 398,767	\$ (3,976,568)	\$ 4,036,507
Equity in additions to community facilities trust	-	-	158,993	-	-	-	158,993
Equity in additions to land and residences improvements	-	-	-	796,002	-	-	796,002
Excess of income and transfers over direct operating expenses	-	-	-	-	3,461	-	3,461
Depreciation - Expense	-	-	-	-	-	(134,361)	(134,361)
BALANCE AT DECEMBER 31, 2022	<u>\$ 102,075</u>	<u>\$ 3,283,100</u>	<u>\$ 2,173,476</u>	<u>\$ 3,010,652</u>	<u>\$ 402,228</u>	<u>\$ (4,110,929)</u>	<u>\$ 4,860,602</u>

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

SEAL BEACH MUTUAL NO. TEN  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of direct operating expenses and depreciation over income and transfers	\$ (130,900)
Adjustments to reconcile to net cash provided by operating activities:	
Funding of replacement reserves	401,737
Building and land maintenance paid from reserve funds	(37,868)
Depreciation	134,361
(Increase) in other receivables	(877)
(Increase) in accrued interest	(1,998)
(Increase) in prepaid expenses	(4,111)
Increase in payable to Golden Rain Foundation	36,786
Increase in project commitment reserve	78,405
Increase in prepaid monthly dues	250
Increase in other liabilities	6,123
Increase in property tax accrual	12,741
(Decrease) in repair and tax deposit liability	(42,396)
TOTAL ADJUSTMENTS	<u>583,153</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 452,253

CASH FLOWS FROM INVESTING ACTIVITIES

(Purchase) of residences and construction-in-progress	(796,002)
(Purchase) of investments	<u>(200,000)</u>

NET CASH (USED IN) INVESTING ACTIVITIES (996,002)

NET (DECREASE) IN CASH (543,749)

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR 2,041,265

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR \$ 1,497,516

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes	<u>\$ 800</u>
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See accompanying independent auditors' report.  
The notes are an integral part of these financial statements.

SEAL BEACH MUTUAL NO. TEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Seal Beach Mutual No. Ten (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 \$2,554,073 consisting of interest in Trust funds of \$669,506 and interest in community facilities of \$1,884,567.

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.

Revenue Recognition: The Mutual has adopted Accounting Standards Update No. 2014-09, *Revenues from Contracts with Customers* ("ASC 606"), refer to Note 6. 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, 2022 and 2021 were \$15,586 and \$14,879, respectively. Prepaid monthly dues from members at December 31, 2022 and 2021 were \$28,207 and \$27,957, 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.



SEAL BEACH MUTUAL NO. TEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 276 units controlled by Mutual Ten were \$560,636 for 2022.

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, 2022, the balance of Project Commitments - Reserves is \$80,205.

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.

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 2022 includes income taxes paid of \$800. No interest expense was incurred. During 2022, 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 \$158,993.

Concentration of Credit Risk: The Mutual's cash is maintained in two commercial banks. Cash maintained in US Bank consists of demand deposits and money market accounts. US 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 a money market account. Cash in the money market account totals \$10.47 which is fully covered by FDIC insurance.

SEAL BEACH MUTUAL NO. TEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising: Costs are charged to operations when incurred and are included in operating expenses. The Mutual did not incur any advertising expense as of December 31, 2022.

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 2022 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, 2022.

Subsequent Events: Date of Management's Review - Subsequent events have been evaluated through May XX, 2023, the date that these financial statements were available to be issued.

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

Deposits and investments are presented on the balance sheet at December 31, 2022 as follows:

Cash and cash equivalents	\$ 217,266
Impound accounts - cash equivalents	152,641
Repair and tax deposits - cash equivalents	14,442
Restricted cash equivalents	1,113,167
Total cash and cash equivalents and restricted cash	\$ 1,497,516
Restricted investments	\$ 200,000
Total	\$ 1,697,516

SEAL BEACH MUTUAL NO. TEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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

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.

Restricted investments are comprised of certificates of deposits with maturities greater than three months. 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, 2022 follows:

<u>Property Tax Fund</u> : Designated for the payment of property taxes	\$ 152,641
<u>Appliance Fund</u> : Designated for replacement of appliances, fixtures and other property components	18,948
<u>Painting Fund</u> : Designated for painting of residences and other facilities	30,512
<u>Roofing Fund</u> : Designated for replacement of roofs	811,817
<u>Emergency Fund</u> : Designated for disasters and unanticipated liabilities	47,734
<u>Infrastructure Fund</u> : Designated for replacement of infrastructure	354,156
<u>Capital Fund</u> : Designated for future capital improvements	50,000
<u>Repair &amp; Tax Deposits</u> : Designated for repairs of sold units and for pending tax liabilities of the sellers	14,442
Total designated deposits and investments	<u>\$ 1,480,250</u>

SEAL BEACH MUTUAL NO. TEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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 \$46,968 at December 31, 2022 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 2022.

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, 2022 is as follows:

Deferred reserve - beginning of year	\$ 1,665,096
Collection of reserve	401,737
Repair and maintenance expenditures	(833,870)
Deferred reserve - end of year	<u>\$ 1,232,963</u>

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 \$1,313,167 at December 31, 2022, 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.

SEAL BEACH MUTUAL NO. TEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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 2022 generated no taxable income.

At December 31, 2022, there were no temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities.

NOTE 8 - PRIOR PERIOD ADJUSTMENT

Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services, and the deferral of incremental costs of obtaining a contract with a customers.

The following are the line items from the balance sheet and the statement of owners' equity for the year ended December 31, 2021, that were affected, and restated:

	<u>As Originally Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Balance Sheet			
Deferred Project Reserve Liability	\$ -	\$ 1,665,096	\$ 1,665,096
Statement of Stockholders' Equity			
Appliance Reserve	\$ 17,414	\$ (17,414)	\$ -
Project Reserve	\$ 1,547,682	\$ (1,547,682)	\$ -
Emergency Reserve	\$ 50,000	\$ (50,000)	\$ -
Capital Reserve	\$ 50,000	\$ (50,000)	\$ -

SEAL BEACH MUTUAL NO. TEN  
SUPPLEMENTARY INFORMATION  
STATEMENT OF DIRECT OPERATING EXPENSES  
(with comparative budget figures)  
For the Year Ended December 31, 2022

	Actual	(Unaudited) Budget
COMMUNITY FACILITIES AND ASSOCIATION EXPENSES		
Trust administration cost	\$ 560,636	\$ 569,763
TOTAL COMMUNITY FACILITIES AND ASSOCIATION EXPENSES	<u>560,636</u>	<u>569,763</u>
ADMINISTRATIVE EXPENSES		
Management fee	1,855	1,855
Legal fees	10,891	15,997
TOTAL ADMINISTRATIVE EXPENSES	<u>12,746</u>	<u>17,852</u>
OPERATING EXPENSES		
Electricity	17,578	15,997
Water	56,821	56,801
Rubbish removal	33,804	31,994
TOTAL OPERATING EXPENSES	<u>108,203</u>	<u>104,792</u>
MAINTENANCE AND REPAIR EXPENSES		
Building and land maintenance from reserves	833,870	-
Building and land maintenance from excess operating	58,319	-
Outside replacements and maintenance	22,295	25,139
Outside grounds maintenance	131,006	138,508
Service maintenance - standard	48,978	60,013
Service maintenance - replacement	24,848	-
Transfers from replacement reserve	(24,848)	-
TOTAL MAINTENANCE AND REPAIR EXPENSES	<u>1,094,468</u>	<u>223,660</u>
TAXES AND INSURANCE EXPENSES		
Income taxes (Note 1)	1,297	894
Hazard insurance	88,105	94,558
TOTAL TAXES AND INSURANCE EXPENSES	<u>89,402</u>	<u>95,452</u>
FINANCIAL EXPENSES		
Bank service fee	41	-
TOTAL FINANCIAL EXPENSES	<u>41</u>	<u>-</u>
TOTAL DIRECT OPERATING EXPENSES	<u>\$ 1,865,496</u>	<u>\$ 1,011,519</u>

See accompanying independent auditors' report.

SEAL BEACH MUTUAL NO. TEN  
SUPPLEMENTARY INFORMATION REGARDING FUNDS FOR FUTURE REPAIRS  
(Unaudited)  
December 31, 2022

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 Required	Est Beg Bal	Annual Contribution	Per Unit Per Month	
Appliance		\$ 47,941	\$ 47,941	\$ 24,204	\$ 23,737		Note (1)
	Monthly contribution to the Appliance Fund					\$ 7.17	
Painting	1 - 6	207,900	106,250	14,859	15,655		Note (2)
Roofing	0 - 29	3,492,000	2,226,900	1,315,485	257,393		Note (3)
Infrastructure	0 - 33	385,900	276,011	218,739	104,952		Note (4)
	Contribution to Replacement Reserves		2,609,161	1,549,083	378,000	114.13	
Emergency				50,402	-		Note (5)
Capital Fund				50,000	-		Note (6)
				100,402	-	-	
Total for Budget				\$ 1,673,689	\$ 401,737	\$ 121.30	

**Note:**

- 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 \$50,289 and the adjustment is a \$2,348 decrease for a total requirement of \$47,941. The board approved the 2022 funding of this reserve for \$23,737.
- Note 2. The board determined funding of \$15,655 for 2022.
- Note 3. The board determined funding of \$257,393 for 2022.
- Note 4. The board determined funding of \$104,952 for 2022.
- Note 5. The board determined no funding was necessary for 2022.
- Note 6. The board established a capital fund in 2016 to support future capital improvements to the Mutual. The capital fund was funded for \$50,000 in 2016 using funds held in the emergency fund. The board determined no funding was necessary for 2022.

See accompanying independent auditors' report.

**MINUTES OF THE SPECIAL MEETING OF THE  
BOARD OF DIRECTORS  
SEAL BEACH MUTUAL TEN  
May 9, 2023 Building 5 Room B**

The Special Meeting of the Board of Directors of Seal Beach Mutual Ten was called to order by President Arlart on Tuesday, May 9, 2023, at 2:30 p.m. Building 5 Room B.

**ROLL CALL:**

**Present:** President Arlart, Vice President Cummings, Secretary Viglietta, CFO Giles, Director Sims

**Staff:** Building Inspector Quental

**SHAREHOLDER COMMENTS**

Shareholder present and comment made.

**PURPOSE OF THE MEETING:** Directors discuss Building Inspector's Report, additional Physical Property and Landscape issues

**BUILDING INSPECTOR'S REPORT**

Building Inspector Quental updated the Mutual Ten Board on Mutual activity.

**PHYSICAL PROPERTY CHAIR REPORT**

Update on cost painting Seaview carport streets.

Discussed sidewalk pole lights, to be considered for "wish-list".

Update on trash areas.

Discussed completion of fire/safety/health inspections.

Discussed new cooktop options.

**LANDSCAPE REPORT**

Discussed landscape requests.

**SERVICE MAINTENANCE CALL REQUESTS**

Discussed Service Maintenance.

Discussed Estate Sales.

**ADJOURNMENT**

There being no further business to conduct, President Arlart adjourned the meeting at 3:39 p.m. and announced that there would be an Executive Session following to discuss member issues.

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Attest

Elissa Viglietta, Secretary  
SEAL BEACH MUTUAL TEN

Ra: 05/12/2023

(These are tentative minutes, subject to approval by the Board of Directors at the next Regular Board of Directors' Meeting.)



**MINUTES OF THE ORGANIZATIONAL MEETING OF THE BOARD OF DIRECTORS  
SEAL BEACH MUTUAL TEN  
MAY 16, 2022**

The organizational meeting of the board of directors of Seal Beach Mutual Ten was called to order by Acting Chairperson, Mutual Administration Director Jodi Hopkins at 10:55 a.m. on May 16, 2023, in Clubhouse Four.

Those directors present were: Ruthann Arlart, Esther Cummings, Michael Giles, Rod Sims, and Elissa Viglietta. Also present: Mutual Administration Director Hopkins, Senior Portfolio Specialist Ripa Barua and Portfolio Specialist Antoine Jackson.

Mutual Administration Director Hopkins announced that the purpose of the meeting was to elect officers of the board of Directors for the 2023-2024 term of office and to select the day and time of the Board's Regular Monthly Meeting.

Mutual Administration Director Hopkins called for nominations for the office of President. Esther Cummings nominated Ruthann Arlart for President, Elisa Viglietta Nominated Rod Sims for President. There being no further nominations, Ruthann Arlart was elected by Secret ballot to the office of President for the 2023-2024 term of office.

The chair was turned over to newly elected President Arlart, who then called for nominations for the office of Vice President. Mike Giles nominated Esther Cummings for Vice President. Elissa Viglietta nominated Rod Sims for Vice President. There being no further nominations, Esther Cummings was elected by secret ballot to the office of Vice President for the 2023-2024 term of office.

President Arlart called for nominations for the office of Secretary. Esther Cummings nominated Elissa Viglietta for Secretary. There being no further nominations, Elissa Viglietta was elected to the office of Secretary for the 2023-2024 term of office.

President Arlart called for nominations for the office of Chief Financial Officer. Rod Sims nominated Michael Giles for Chief Financial Officer. There being no further nominations, Michael Giles was elected to the office of Chief Financial Officer for the 2023-2024 term of office.

President Arlart stated that the previous year's organizational meeting minutes have already been approved.

The committee assignments were as follows: Vice President Cummings as Physical Property Committee Chair, President Arlart and Vice President Cummings as Landscape Committee Co-Chair.

Upon a MOTION duly made by President Arlart and seconded by Vice President Cummings, it was

RESOLVED that starting July 1, 2023, the regular monthly board meeting remains on the fourth Wednesday of each month, in Building 5, Conference Room B, with the meeting starting at 9:00 a.m. May and June 2023 board meeting will be in Conference Room A.

The MOTION passed unanimously.

There being no further business to conduct, President Arlart adjourned the meeting at 11:08 a.m.

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Attest, Elissa Viglietta, Secretary  
SEAL BEACH MUTUAL TEN  
AJ:05/16/2023

(These are tentative minutes, subject to approval by the Board of Directors at the next Regular Board of Directors Meeting.)

## MONTHLY MUTUAL INSPECTOR REPORT

MUTUAL: **(10) TEN**      DATE: **MAY**      INSPECTOR: **RYAN QUENTAL**

### PERMIT ACTIVITY

UNIT #	WORK DESCRIPTION	GRF/CITY PERMIT	START DATE	FINISH DATE	CHANGE ORDER	RECENT INSPECTION	CONTRACTOR
238-B	WASHER/DRYER	BOTH	04/05/23	05/31/23	NONE	FINAL 5/17/23	M & M SKYLIGHT
238-K	WINDOWS	BOTH	03/23/23	05/25/23	NONE		SWENMAN
241-A	SHOWER	BOTH	06/01/23	07/30/23	NONE		JC KRESS
243-B	WINDOWS	BOTH	04/15/23	06/01/23	NONE	FINAL 5/22/23	VICKERS
243-E	REMODEL	BOTH	04/15/22	08/31/22	YES	FINAL 1/20/23 (Recall)	BA CONSTRUCTION
246-I	SCREEN DOOR	BOTH	04/01/23	06/01/23	NONE		BODIE'S GLASS
246-I	GLASS PANELS	GRF	04/01/23	06/01/23	NONE		BODIE'S GLASS
246-I	PATIO DOOR	BOTH	04/01/23	08/01/23	NONE		BODIE'S GLASS
249-C	WINDOWS	BOTH	03/30/23	05/11/23	NONE		SWENMAN
250-G	DECO BLOCK FILL	GRF	05/01/23	06/19/23	NONE	FINAL 5/11/23	BERGKVIST
251-E	WINDOWS	BOTH	11/25/22	03/30/23	NONE		L & S CONSTRUCTION
256-J	REMODEL	BOTH	02/13/23	04/05/23	YES	DRYWALL/LATH 3/6/23	HADI CONSTRUCTION
257-D	WASHER/DRYER	BOTH	03/20/23	06/30/23	NONE	FINAL 5/5/23	MP CONSTRUCTION

### ESCROW ACTIVITY

UNIT #	NMI	PLI	NBO	FINAL	FCOEI	RELEASE OF FUNDS	ACTIVE	CLOSING	CLOSED
238-H		03/09/23					5	2	6
244-E		03/02/23	05/16/23	05/17/23	05/30/23				
248-I		03/13/23							
253-A		03/29/23	05/11/23	05/11/23	05/23/23				
253-D		04/07/23							

NMI = New Member Inspection    PLI = Pre-Listing Inspection    NBO = New Buyer Orientation  
FCOEI = Final Close of Escrow Inspection

### CONTRACTS & PROJECTS

CONTRACTOR	PROJECT
J&J Landscape      12/1/22 - 11/30/23	Mutual Gardening, Irrigation and Lawns - On Going.
Fenn Pest and Termite      4/30/23	Pest Control and Termite Inspections.
Fenn Pest and Termite      6/30/23	Rodent Bait Station Maintenance.
National Service Lease      September 2024	On Going.

### SHAREHOLDER & MUTUAL REQUESTS

SHAREHOLDER	MUTUAL
256L - Living room soffit outlet not working.	Sea View Carport Painting
243B - Bedroom door touch up paint.	
255H - Bedroom ceiling leak.	Fenn Bait Station Contract
258B - Porch outlet replacement.	
257B - Patio roof leak.	
239K - Walk light out.	

# *Mutual Corporation No. Ten*

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## **MEMO**

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO APPROVE J&J LANDSCAPING TO BEGIN  
RELMULCHING AROUND TREES. (BUILDING INSPECTOR REPORT, ITEM A)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to approve J&J Landscaping to begin Re-Mulching around the trees in Mutual Ten.

# *Mutual Corporation No. Ten*

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## **MEMO**

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO APPROVE FENN TERMITE & PEST CONTROL 3-YEAR BAIT STATION CONTRACT (BUILDING INSPECTOR REPORT, ITEM B)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to award a contract to “Fenn Termite & Pest Control” to service and maintain Mutual No. Ten Bait Station for a three-year period from 2023-2026, at a total cost not to exceed \$217 for year one, \$248 for Year Two, and \$248 for Year Three. Funds to come from Operating Budget line item “Pest Control” and authorize the president to sign the contract.

# Mutual Corporation No. Ten

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO AUTHORIZE TRANSFERS OF FUNDS FOR  
MUTUAL TEN (CONSENT CALENDAR, ITEM A)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to authorize the following transfers of funds per detailed resolutions.

<i>Transfer/ Invoice Date</i>	<i>Amount</i>	<i>Originating/Destination Accounts or Payee</i>
04/21/2023	\$33,828.17	US Bank Checking to US Bank Non-Restr. Money Mkt.
04/24/2023	\$25,905.60	Transfer from US Bank Impound (Property Tax) to US Bank Checking

# *Mutual Corporation No. Ten*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** APPROVAL OF MUTUAL MONTHLY FINANCES (CHIEF FINANCIAL OFFICER'S REPORT, ITEM A)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to acknowledge, per the requirements of the Civil Code Section 5500(a)-(f), a review of the reconciliations of the operating and reserve accounts, operating revenues and expenses compared to the current year's budget, statements prepared by the financial institutions where the Mutual has its operating and reserve accounts, an income and expense statement for the Mutual's operating and reserve accounts, the check registers, monthly general ledger and delinquent assessment receivable reports for the month of April 2023.

# *Mutual Corporation No. Ten*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO CHANGE TIME LIMITES FOR SHAREHOLDER COMMENTS (UNFINISHED BUSINESS, ITEM B)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to change the time frame shareholders can make comments from 4 minutes for 15 or less speaker, and 3 minutes for 16-25 speakers, and 2 minutes for over 26 speakers to 3 minutes for all shareholder comments at the Mutual Ten Board Meetings.



# *Mutual Corporation No. Ten*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO APPROVE THE TEMPORARY USE OF CARPORT  
BLDG. 120 SPACE 19 TO UNIT 255-F (NEW BUSINESS, ITEM A)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to approve the temporary use of Carport building 120 space 19 to unit 255-F.

# *Mutual Corporation No. Ten*

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## MEMO

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**TO:** MUTUAL BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** DISCUSS AND VOTE TO APPROVE THE CODE OF CONDUCT AND CODE OF ETHICS (NEW BUSINESS, ITEM B)  
**DATE:** MAY 31, 2023  
**CC:** MUTUAL FILE

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I move to approve that the Directors of Mutual ten accept and sign the Code of Conduct and Code of Ethics.