

***BLUE PACIFIC MOBILE HOME OWNERS'
ASSOCIATION***

A California Nonprofit Mutual Benefit Corporation

FHA PROJECT NO. 121-00410

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

June 30, 2025 and 2024

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
FINANCIAL STATEMENTS
June 30, 2025 and 2024

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3 – 5
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 15
Supplementary Information	
Supplementary Information Required by HUD	17 – 23
Schedule of Expenditures of Federal Awards	24
Future Major Repairs and Replacements (Unaudited)	25
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	26 – 27
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance	28 – 30
Schedule of Findings and Questioned Costs	31 – 33
Certifications of Officers and Management Agent	34
Auditors' Transmittal Letter	35



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Blue Pacific Mobile Home Owners' Association

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Blue Pacific Mobile Home Owners' Association, HUD Project No. 121-00410, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Blue Pacific Mobile Home Owners' Association as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Blue Pacific Mobile Home Owners' Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Blue Pacific Mobile Home Owners' Association's ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

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

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Blue Pacific Mobile Home Owners' Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Pacific Mobile Home Owners' Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Prior Period Financial Statements

We also draw attention to the fact that the financial statements of Blue Pacific Mobile Home Owners' Association for the year ended June 30, 2024 were audited by SND Partners, LLP, who merged with Aprio, LLP as of May 1, 2025, whose report thereon dated September 25, 2024, expressed an unqualified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis as required by the Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (Continued)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Future Major Repairs and Replacements on page 26 be presented to supplement the basic of financial statement. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standard Board, which considers it to be an essential part of financial reporting for placing the basic financial statement 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 statement. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2026, on our consideration of Blue Pacific Mobile Home Owners' Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Pacific Mobile Home Owners' Association's internal control over financial reporting and compliance.

Aprilo, LLP

Walnut Creek, California
January 7, 2026

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

	2025	2024
ASSETS		
Property and equipment		
Land	\$ 4,577,961	\$ 4,577,961
Buildings and improvements	1,491,983	1,491,983
Total property and equipment	6,069,944	6,069,944
Less accumulated depreciation	(764,285)	(690,601)
Net property and equipment	5,305,659	5,379,343
Cash, cash equivalents, and restricted deposits		
Cash - operating	376,112	307,256
Cash - entity	461,327	388,081
Restricted deposits		
Escrow impound deposits	114,361	93,497
Reserve for replacements	237,894	258,775
Debt service reserves	161,551	161,551
Total cash, cash equivalents, and restricted deposits	1,351,245	1,209,160
Other assets		
Member assessments receivable	-	7,665
Prepaid expenses	6,355	5,353
Member note receivable	4,467	5,514
Total other assets	10,822	18,532
Total assets	\$ 6,667,726	\$ 6,607,035
LIABILITIES AND NET ASSETS		
Note payable, net	\$ 4,420,194	\$ 4,527,581
Other liabilities		
Accounts payable	90,960	70,826
Prepaid member assessments	1,555	-
Accrued wages and vacation	-	2,146
Landscape deposits payable	-	4,500
Total liabilities	4,512,709	4,605,053
Net assets without donor restrictions	2,155,017	2,001,982
Total liabilities and net assets	\$ 6,667,726	\$ 6,607,035

The accompanying notes are an integral part of these financial statements.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2025 and 2024

	2025	2024
REVENUE WITHOUT DONOR RESTRICTIONS		
Assessments		
Member assessments - general	\$ 634,983	\$ 632,900
Member assessments - utility service billings	168,906	156,569
Rental income	36,332	37,803
Total assessments	840,221	827,272
Laundry	3,073	3,996
Tenant charges	280	1,180
Other revenue	16,105	6,341
Interest income		
Note receivable interest	153	180
Operations	463	103
Reserves	1,553	1,641
Total revenue	861,848	840,713
 EXPENSES		
Program services	698,783	738,828
Management and general	105,030	71,762
Total operating expenses	803,813	810,590
 Change in net assets from operations	58,035	30,123
Change in net assets without donor restrictions	58,035	30,123
Sale of member certificate	95,000	85,500
Net assets without donor restrictions - beginning of year	2,001,982	1,886,359
Net assets without donor restrictions - end of year	\$ 2,155,017	\$ 2,001,982

The accompanying notes are an integral part of these financial statements.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2025 and 2024

	2025		
	Program Services	Management and General	Total
Administrative expenses	\$ 101,921	\$ 73,918	\$ 175,839
Utilities	145,611	-	145,611
Operating and maintenance	113,863	-	113,863
Taxes and insurance	97,076	-	97,076
Interest expense	143,175	-	143,175
Other financial expenses	23,453	-	23,453
Entity expenses	-	31,112	31,112
Depreciation	73,684	-	73,684
	\$ 698,783	\$ 105,030	\$ 803,813

	2024		
	Program Services	Management and General	Total
Administrative expenses	\$ 94,878	\$ 66,648	\$ 161,526
Utilities	113,124	-	113,124
Operating and maintenance	179,917	-	179,917
Taxes and insurance	118,769	-	118,769
Interest expense	134,565	-	134,565
Other financial expenses	23,889	-	23,889
Entity expenses	-	5,114	5,114
Depreciation	73,686	-	73,686
	\$ 738,828	\$ 71,762	\$ 810,590

The accompanying notes are an integral part of these financial statements.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue		
Member assessments	\$ 849,441	\$ 823,941
Interest income	2,169	1,924
Laundry and other income	19,458	11,517
Total revenue	871,068	837,382
Expenses		
Administrative expenses	122,987	107,070
Management fee	56,000	54,000
Utilities	149,649	112,208
Maintenance and operating	113,863	179,917
Real estate taxes	45,651	110,674
Property insurance	15,857	12,756
Other taxes and insurance	11,396	16,346
Interest expense - note payable	138,282	129,672
Mortgage insurance premium	23,453	23,889
Entity expenses	34,565	4,094
Total expenses	711,703	750,626
Net cash provided by operating activities	159,365	86,756
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of member certificate	95,000	85,500
Principal payments - note payable	(112,280)	(100,010)
Net cash used by financing activities	(17,280)	(14,510)
Increase in cash, cash equivalents, and restricted deposits	142,085	72,246
Cash, cash equivalents, and restricted deposits - beginning of year	1,209,160	1,136,914
Cash, cash equivalents, and restricted deposits - end of year	\$ 1,351,245	\$ 1,209,160

The accompanying notes are an integral part of these financial statements.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

Blue Pacific Mobile Home Owners' Association, a California nonprofit mutual benefit corporation (Association), was organized to develop, own and operate a 100 space mobile home park located on 9.97 acres in Aptos, California (Project). The Project is regulated under terms of a regulatory agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 207 pursuant to Section 223(f) of the National Housing Act.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

1. Basis of Presentation

The Association presents its financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP) for nonprofit entities. Under this guidance, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Association are net assets without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Association conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

2. Cash, Cash Equivalents, and Concentrations of Credit Risk

Cash is defined as cash on hand and demand deposits with banks. All short-term debt securities purchased with a maturity of three months or less are considered to be cash equivalents. The Association occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation (FDIC) limit. As of June 30, 2025 and 2024, deposits in excess of FDIC limits totaled \$336,479 and \$137,481, respectively. The Association has not experienced any losses in such accounts and believes that it is not exposed to any significant risk of loss.

3. Property and Equipment

Property and equipment is stated at cost of acquisition. Renewals and improvements are capitalized. The cost of maintenance and repairs is charged to operations when incurred. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method as follows:

Building and improvements	10 to 40 years
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The Association reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in the years ending June 30, 2025 and 2024.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

4. Member Assessments Receivable and Revenue Recognition

Association Members are subject to annual assessments that are due monthly to provide funds for the Association's payment of the mortgage obligation, improvements, operating expenses, and to contribute to reserves. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its operating assessment is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to special assessments are satisfied when the funds are expended for their designated purpose. For the years ending June 30, 2025 and 2024, the Association did not levy any special assessments.

Assessments receivable at the statement of financial position date are stated at the amounts expected to be collected from outstanding assessments from Members. The Association's by-laws allow the Association to place liens on the properties of Members whose assessments are 30 days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately collect outstanding Member assessments receivable and, accordingly, no allowance for uncollectible accounts is deemed necessary as of June 30, 2025 and 2024.

5. Debt Issuance Costs

Debt issuance costs are amortized over the term of the note payable using the straight-line method. GAAP requires that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the note payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

6. Fair Value of Financial Assets and Liabilities

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. It is not practicable for management to estimate the fair value of accounts receivable and notes payable because of the nature of such instruments and because there is no readily available market information for financial instruments with similar terms.

7. Risks and Uncertainties

The Association is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the Project is located or by changes in federal, state and/or the demand for such housing.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)

8. Use of Estimates

The preparation of financial statements in conformity with GAAP 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 reporting period. Actual results could differ from those estimates.

9. Advertising Costs

Advertising costs are charged to operations when incurred.

10. Member Certificates

Member certificates are issued by the Association once a Member has entered into a proscribed occupancy agreement with the Association and payment of assessments has commenced. Initial Member Certificates were purchased by members at values determined by the Association. The value received by the Association for the sale of the initial Member Certificates has been recorded as a component of net assets. Transfers of Member Certificates are allowed based on criteria set forth in the Association's by-laws. The Association holds 5 Member Certificates with each having an offering price of \$95,000.

11. Income Taxes

The Association has been granted tax-exempt status by the Internal Revenue Service under Code Section 501(c)(4). The Association believes that it does not have any uncertain tax positions that are material to the financial statements. The federal and state tax returns for the years ending June 30, 2024, 2023, 2022, and 2021 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for the federal and state returns, respectively.

12. Functional Allocation of Expenses

The costs of providing the programs services has been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by nature and function. Program services include all expenses relating to providing housing. Supportive services such as the management fee, management consultants, training, auditing, bookkeeping and accounting are allocated to management and general.

13. Date of Management's Evaluation and Subsequent Events

Management has evaluated subsequent events through January 7, 2026, which is the date the financial statements were available to be issued.

NOTE B – RESTRICTED DEPOSITS

Escrow Impound Deposits

The Association is required make monthly deposits with the debt servicer in an amount equal to annual property tax, property insurance, and mortgage insurance expenses.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE B – RESTRICTED DEPOSITS (Continued)

Replacement Reserve

In accordance with the provisions of the HUD Regulatory Agreement, a reserve for replacements has been established to be used for replacement of property. Deposits are to be funded on a monthly basis. All releases require the prior approval of HUD.

Debt Service Reserve

In accordance with the provisions of the loan agreement, a debt service reserve has been established to be used for the purpose of debt service relief. All releases require the prior approval of HUD.

NOTE C – MEMBER NOTE RECEIVABLE

As of June 30, 2025 and 2024, one Member has entered into note receivable agreement with the Association for the purchase of their initial Member Certificate. The note receivable agreement is for a term of 10 years and six months, maturing in August 2031, and bears interest at a rate of 3% per annum. The note receivable is secured by the Member Certificate held by the borrower and is due in full in the event of sale the member certificate. The note receivable agreement is secured by the Members' Certificate and interest in their mobile home. As of June 30, 2025 and 2024, Member note receivable including interest totaled \$4,467 and \$5,514, respectively.

NOTE D – MANAGEMENT FEE

The Project is managed by Evans Management Services through June 9, 2025. Effective June 10, 2025 the Project is managed by Castle Breckenridge Management, Inc. Management fees paid during the years ended June 30, 2025 and 2024 totaled \$56,000 and \$54,000, respectively.

NOTE E – NOTE PAYABLE

	<u>2025</u>	<u>2024</u>
Note payable to Red Mortgage Capital, LLC (Lender) serviced by Orix Real Estate Capital, LLC dba Lument Capital (Loan Servicer) in the original amount of \$5,650,000 is due in monthly installments of \$20,880, based upon a 40 year amortization of the loan including interest at 3%. The loan is secured by a deed of trust on the Project and is due in full in the year 2051.		
Total note payable	\$ 4,548,297	\$ 4,660,577
Less: Unamortized debt issuance costs	<u>(128,103)</u>	<u>(132,996)</u>
Note payable, net	<u>\$ 4,420,194</u>	<u>\$ 4,527,581</u>

Principal payments due for each of the next five years, ending June 30 are estimated as follows:

2026 - \$ 115,695	2029 - \$ 126,576
2027 - \$ 119,214	2030 - \$ 130,426
2028 - \$ 122,840	

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As regulated by the Association's by-laws and regulatory agreement with HUD, financial assets of the Association are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either surplus cash or a deficit in surplus cash. Generally, any surplus cash generated must be disbursed as permitted under the regulatory agreement.

As of June 30, 2025 and 2024, the Association has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following:

	2025	2024
Cash and cash equivalents	\$ 1,351,245	\$ 1,209,160
Less restricted deposits	(513,806)	(513,823)
Member assessments receivable	-	7,665
Total financial assets available	\$ 837,439	\$ 703,002

NOTE G – SUPPLEMENTAL PROPERTY TAX LIABILITY

The Association collects cash from Members to fund the potential liability from the assessment of additional property tax on new homes put in place by the Members or due to supplemental assessments from the transfer of ownership. The new units are taxed by the county as real property and will assess a tax for the increase in value of the units. The county has determined a method for this assessment and has issued supplemental tax bills which assesses the determined increase in land value of new units to the Association.

The Association is required to collect this increase from the Members that are impacted and will use those proceeds to pay the increased assessment.

The increase in the tax is billed to the impacted Members along with their monthly dues. As units turn over, the Association collects an estimate of the increase in taxes and holds the funds in reserve until the new owners receive the supplemental tax bill. At that time the reserve is used to pay the supplemental tax and the Member then will be billed monthly for the increase in tax determined by the county. As of June 30, 2025 and 2024, the Association has accrued \$90,960 and \$66,788, respectively, as property tax liability.

NOTE H – VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Association's principal asset consists of a 100-space mobile home park in Aptos, California. The Association's operations are concentrated in the mobile home real estate market. In addition, the Association operates in a heavily regulated environment. The operations of the Association are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, the state of California and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the state of California or HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE I – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents allow for Association, in any calendar year, to levy a special assessment applicable to that year only for the purpose of defraying, in whole or in part the cost any construction, reconstruction, unexpected repairs or replacement of capital improvements belonging to the Association.

The Association has not established a separate special assessment fund to accumulate for future major repairs and replacements. The HUD regulatory agreement required the Association to establish a reserve for replacement account to be held by the Loan Servicer and controlled by HUD for future repairs. The Association funds the reserve from general assessments received from Members and does not consider this a special assessment reserve.

The Association's by-laws do not require the Association to engage an independent engineer to estimate the remaining useful lives and replacement costs of the common property components.

SUPPLEMENTARY INFORMATION

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2025

STATEMENT OF FINANCIAL POSITION DATA REQUIRED BY HUD

		2025	2024
ASSETS			
Current assets			
1120	Cash - operating	\$ 376,112	\$ 307,256
1125	Cash - entity	461,327	388,081
1130	Member accounts receivable	-	7,665
1200	Prepaid expenses	6,355	5,353
1100T	Total current assets	843,794	708,355
Restricted deposits			
1310	Escrow impound deposits	114,361	93,497
1320	Reserve for replacements	237,894	258,775
1330	Debt service reserve	161,551	161,551
1300T	Total restricted deposits	513,806	513,823
Property and equipment			
1410	Land	4,577,961	4,577,961
1420	Buildings and improvements	1,491,983	1,491,983
1400T	Total property and equipment	6,069,944	6,069,944
1495	Less accumulated depreciation	(764,285)	(690,601)
1400N	Net property and equipment	5,305,659	5,379,343
Other assets			
1590	Member note receivable	4,467	5,514
1500T	Total other assets	4,467	5,514
1000T	Total assets	\$ 6,667,726	\$ 6,607,035
LIABILITIES AND NET ASSETS			
Current liabilities			
2110	Accounts payable	\$ -	\$ 4,038
2120	Accrued wages and vacation	-	2,146
2150	Accrued property taxes	90,960	66,788
2170	Note payable, current portion	115,695	112,280
2190	Landscape deposits payable	-	4,500
2210	Prepaid member assessments	1,555	-
2122T	Total current liabilities	208,210	189,752
Long-term liabilities			
2320	Note payable, net of current portion	4,432,602	4,548,297
2340	Debt issuance costs	(128,103)	(132,996)
2300T	Total long-term liabilities	4,304,499	4,415,301
2000T	Total liabilities	4,512,709	4,605,053
Net assets			
3131	Unrestricted net assets	2,155,017	2,001,982
3130	Total net assets	2,155,017	2,001,982
2033T	Total liabilities and net assets	\$ 6,667,726	\$ 6,607,035

See Independent Auditors' Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2025

STATEMENT OF ACTIVITIES DATA REQUIRED BY HUD

		<u>2025</u>	<u>2024</u>
Revenue			
	Rental revenue		
5120	Rent revenue - gross potential	\$ 671,315	\$ 670,703
5190	Utilities service billings	168,906	156,569
5100T	Total rental revenue	<u>840,221</u>	<u>827,272</u>
5152N	Net rental income	<u>840,221</u>	<u>827,272</u>
	Financial revenue		
5410	Interest income - operations	616	283
5440	Interest income - replacement reserve	1,553	1,641
5400T	Total financial revenue	<u>2,169</u>	<u>1,924</u>
	Other income		
5910	Laundry	3,073	3,996
5920	Tenant charges	280	1,180
5990	Miscellaneous income	16,105	-
5900T	Total other income	<u>19,458</u>	<u>5,176</u>
5000T	Total revenue	<u>861,848</u>	<u>834,372</u>
Expenses			
	Administrative expenses		
6250	Other renting expense	43	101
6311	Office expenses	10,038	11,076
6320	Management fee	56,000	54,000
6330	Manager's salary	78,752	79,804
6340	Legal expense	9,158	1,400
6350	Audit expense	17,918	12,648
6351	Accounting expense	3,930	2,497
6263T	Total administrative expenses	<u>175,839</u>	<u>161,526</u>
	Utilities		
6451	Water	11,669	36,090
6452	Gas	4,122	3,150
6453	Sewer	129,820	73,884
6400T	Total utilities	<u>145,611</u>	<u>113,124</u>

See Independent Auditors' Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2025

STATEMENT OF ACTIVITIES DATA REQUIRED BY HUD (Continued)

		<u>2025</u>	<u>2024</u>
	Operating and maintenance		
6515	Repairs materials	\$ 418	\$ 448
6520	Repairs contract	48,897	100,734
6525	Trash removal	47,663	45,923
6520	Grounds contract	14,520	30,405
6530	Security contract	2,365	2,407
6500T	Total operating and maintenance	<u>113,863</u>	<u>179,917</u>
	Taxes and insurance		
6710	Property taxes	69,823	89,667
6711	Payroll taxes	732	6,701
6720	Property and comprehensive insurance	15,857	12,756
6721	Fidelity bond insurance	-	293
6722	Workmen's compensation	7,441	5,676
6790	Miscellaneous taxes and licenses	3,223	3,676
6700T	Total taxes and insurance	<u>97,076</u>	<u>118,769</u>
	Financial expenses		
6820	Interest expense - note payable	138,282	129,672
6820	Interest expense - debt issuance costs	4,893	4,893
6850	Mortgage insurance premium	23,453	23,889
6800T	Total financial expenses	<u>166,628</u>	<u>158,454</u>
6000T	Total operating expenses before other expenses	<u>699,017</u>	<u>731,790</u>
5060T	Change in net assets before other expenses	162,831	102,582
6600	Less : Depreciation	73,684	73,686
5060N	Change in net assets before entity expenses	<u>89,147</u>	<u>28,896</u>
	Entity expenses		
7105	Other revenue - corporate entity	-	6,341
7190	Less: Board expenses	(31,112)	(5,114)
7100T	Total entity revenue (expenses)	<u>(31,112)</u>	<u>1,227</u>
3250	Change in net assets	<u>\$ 58,035</u>	<u>\$ 30,123</u>

See Independent Auditors' Report

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2025**

STATEMENT OF ACTIVITIES DATA, PART II

Total principal payments required under the mortgage, even if payments under a S1000-010 Workout Agreement are more or less than those required under the mortgage	<u>\$ 112,280</u>
Replacement reserve deposits required, even if payments may be temporarily S1000-020 suspended or waived	<u>\$ 4,554</u>
Replacement reserve or residual receipts releases which are included as expense S1000-030 items on the Statement of Activities	<u>\$ 26,988</u>

EQUITY DATA REQUIRED BY HUD

	2025	2024
S1100-060 Previous Year Net Assets Without Donor Restrictions	\$ 2,001,982	\$ 1,886,359
S1100-065 Proceeds from sale of membership	95,000	85,500
3247 Change in Net Assets Without Donor Restrictions	58,035	30,123
3131 Net Assets Without Donor Restrictions	<u>\$ 2,155,017</u>	<u>\$ 2,001,982</u>
S1100-050 Previous Year Total Net Assets	\$ 2,001,982	\$ 1,886,359
S1100-055 Proceeds from sale of membership	95,000	85,500
3250 Change in Total Net Assets from Operations	58,035	30,123
3130 Total Net Assets	<u>\$ 2,155,017</u>	<u>\$ 2,001,982</u>

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2025

STATEMENT OF CASH FLOWS DATA REQUIRED BY HUD

		<u>2024</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
	Revenue		
S1200-010	Rental income	\$ 849,441	\$ 823,941
S1200-020	Interest income	2,169	1,924
S1200-030	Laundry and other income	19,458	5,176
S1200-040	Total revenue	<u>871,068</u>	<u>831,041</u>
	Expenses		
S1200-050	Administrative expenses	122,987	107,070
S1200-070	Management fee	56,000	54,000
S1200-090	Utilities	149,649	112,208
S1200-110	Maintenance and operating	113,863	179,917
S1200-120	Real estate taxes	45,651	110,674
S1200-140	Property insurance	15,857	12,756
S1200-150	Other taxes and insurance	11,396	16,346
S1200-180	Interest expense - note payable	138,282	129,672
S1200-210	Mortgage insurance premium	23,453	23,889
S1200-225	Entity expenses	34,565	(2,247)
S1200-230	Total expenses	<u>711,703</u>	<u>744,285</u>
S1200-240	Net cash provided by operating activities	<u>159,365</u>	<u>86,756</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
	Disbursements from (additions to):		
S1200-245	Escrow impound deposits, net	(20,864)	17,445
S1200-250	Reserve for replacements, net	20,881	(6,224)
	Net cash provided by investing activities	<u>17</u>	<u>11,221</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
S1200-360	Principal payments - note payable	(112,280)	(100,010)
S1200-455	Entity financing activity	95,000	85,500
S1200-460	Net cash used by financing activities	<u>(17,280)</u>	<u>(14,510)</u>
S1200-470	Increase in operating cash	142,102	83,467
S1200-480	Operating cash - beginning of year	695,337	611,870
S1200T	Operating cash - end of year	<u>\$ 837,439</u>	<u>\$ 695,337</u>

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2025**

RESERVE FOR REPLACEMENTS

In accordance with the provisions of the HUD Regulatory Agreement, a replacement reserve has been established to be used for replacement of property with the prior approval of HUD. Monthly deposits of \$417 are required. Accordingly, restricted cash is held as follows:

		<u>2025</u>	<u>2024</u>
1320P	Balance - July 1	\$ 258,775	\$ 252,551
1320DT	Monthly deposits	4,554	4,583
1320WT	Release	(26,988)	-
1320INT	Interest earned	<u>1,553</u>	<u>1,641</u>
1320	Balance - June 30	<u><u>\$ 237,894</u></u>	<u><u>\$ 258,775</u></u>

DEBT SERVICE RESERVE

In accordance with the provisions of the loan agreement, a debt service reserve has been established to be used for the purposes of debt service relief only. The reserve will be maintained at the initial deposit amount of \$161,551 for the duration of ten years. All releases require the prior approval of HUD. Accordingly, restricted cash is held as follows:

	<u>2025</u>	<u>2024</u>
Balance - July 1	\$ 161,551	\$ 161,551
Interest earned	<u>-</u>	<u>-</u>
Balance - June 30	<u><u>\$ 161,551</u></u>	<u><u>\$ 161,551</u></u>

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS

Cash on hand and in banks:		
Cash - operating	<u>\$ 376,112</u>	
Total cash		\$ 376,112
Less - current obligations:		
Prepaid member assessments	\$ 1,555	
Accrued property taxes	<u>90,960</u>	
Total current obligations		<u>(92,515)</u>
Surplus cash		<u><u>\$ 283,597</u></u>

See Independent Auditors' Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
June 30, 2025

CHANGES IN PROPERTY

	Cost			Balance June 30, 2025
	Balance July 1, 2024	Additions	Removals	
Land	\$ 4,577,961	\$ -	\$ -	\$ 4,577,961
Building and improvements	1,491,983	-	-	1,491,983
Total property	\$ 6,069,944	\$ -	\$ -	\$ 6,069,944
Accumulated depreciation	\$ 690,601	\$ 73,684	\$ -	\$ 764,285
Net book value				\$ 5,305,659

See Independent Auditors' Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Agency or Pass- Through Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Section 207 Mortgage Insurance - Manufactured Home Parks	14.127	121-00410	<u>\$ 4,660,577</u>
Total Federal Expenditures			<u>\$ 4,660,577</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Blue Pacific Mobile Home Owners' Association, FHA Project No. 121-00410, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Blue Pacific Mobile Home Owners' Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Blue Pacific Mobile Home Owners' Association.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Blue Pacific Mobile Home Owners' Association has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – LOAN PROGRAM BALANCES OUTSTANDING

Loan balances outstanding as of June 30, 2025, are as follows:

Section 207 Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	<u>\$4,548,297</u>
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See Independent Auditors' Report

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
June 30, 2025

The Association's by-laws do not require the Association to engage an independent engineer to estimate the remaining useful lives and replacement costs of the common property components. Therefore, the Association does not have an estimate of the remaining useful lives of significant components of common area improvements or the current replacement costs of those significant components.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Blue Pacific Mobile Home Owners' Association

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Blue Pacific Mobile Home Owners' Association, a California nonprofit mutual benefit corporation, FHA Project No. 121-00410, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statement, and have issued our report thereon dated January 7, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Blue Pacific Mobile Home Owners' Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Blue Pacific Mobile Home Owners' Association's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blue Pacific Mobile Home Owners' Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS (Continued)**

Blue Pacific Mobile Home Owners' Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Blue Pacific Mobile Home Owners' Association's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Blue Pacific Mobile Home Owners' Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Pacific Mobile Home Owners' Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aprio, LLP

Walnut Creek, California
January 7, 2026



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Blue Pacific Mobile Home Owners' Association

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Blue Pacific Mobile Home Owners' Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Blue Pacific Mobile Home Owners' Association's major federal programs for the year ended June 30, 2025. Blue Pacific Mobile Home Owners' Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Blue Pacific Mobile Home Owners' Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Blue Pacific Mobile Home Owners' Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Blue Pacific Mobile Home Owners' Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Blue Pacific Mobile Home Owners' Association's federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**
(Continued)

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Blue Pacific Mobile Home Owners' Association's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Blue Pacific Mobile Home Owners' Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Blue Pacific Mobile Home Owners' Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Blue Pacific Mobile Home Owners' Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Blue Pacific Mobile Home Owners' Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**
(Continued)

Report on Internal Control over Compliance (Continued)

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aprilio, LLP

Walnut Creek, California
January 7, 2026

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2025**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financing reporting:	
Material weakness(es) identified	Yes
Significant deficiency(ies) identified	None reported
Noncompliance material to financial statements	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	No
Significant deficiency(ies) identified	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)	No
Identification of major programs	
Mortgage Insurance for Manufactured Home Parks :	
AL# 14.13 - Section 207	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee	No

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
June 30, 2025**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding #	2025-001
Federal Grantor:	U.S. Department of Housing and Urban Development
AL # / Program:	14.127 - Section 207 Mortgage Insurance - Manufactured Home Parks
Type of Finding:	Financial Statement Finding - Material Weakness in Internal Control
Finding Resolution Status:	In Process
Information on Universe Population Size:	N/A
Sample size information:	N/A
Criteria:	Nonfederal entities must establish internal control procedures such that there is a reasonable possibility that a material misstatement in the financial statements will be prevented, or detected and corrected on a timely basis.
Statement of Condition / Context:	During performance of audit procedures we noted insufficient processes and controls relating to the accounting for escrow impounds, beginning equity balances, and board account activity. We noted significant year end journal entries were required to have the financial statements be reasonably stated.
Cause:	Insufficient processes and inadequate design of internal controls over financial reporting.
Effect or Potential Effect:	The financial statements could be materially misstated.
Auditor Non-Compliance Code:	S - Internal control deficiencies
Questioned Costs:	No questioned costs associated with this finding.
Recommendations:	We recommend that Management implement a process whereby monthly payments to the mortgage company (escrow agent) are reconciled to the accounting records. We recommend that Management implement a process whereby beginning net assets is reconciled timely. We recommend that Management implement a process whereby board account activity is reconciled and posted to the general ledger monthly.
Reporting Views of Responsible Officials and Planned Corrective Action:	Management intends to implement internal controls that are designed to support timely and accurate financial reporting, to protect our assets, and to ensure compliance with accounting standards and regulatory requirements. Our controls include segregation of duties, consistent documentation, timely input of account and journal entries, and oversight of all stages. See Corrective Action Plan.
Response Indicator:	Agree
Completion Date:	6/30/2026

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
June 30, 2025**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
CERTIFICATIONS OF OFFICERS AND MANAGEMENT AGENT
June 30, 2025**

CERTIFICATION OF OFFICERS

We, as officers of Blue Pacific Mobile Home Owners' Association hereby certify that we have examined the accompanying financial statements and supplementary data of Blue Pacific Mobile Home Owners' Association and to the best of our knowledge and belief, these financial statements and data are complete and accurate.

<u>Nancy Becker</u>	<u>President</u>	<u>January 7, 2026</u>
Nancy Becker	Title	Date

<u>Desiree Sanchez</u>	<u>Treasurer</u>	<u>January 7, 2026</u>
Desiree Sanchez	Title	Date

BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
Employer ID No. 77-0165831

CERTIFICATION OF MANAGEMENT AGENT

I hereby certify that I have examined the accompanying financial statements and supplementary data of Blue Pacific Mobile Home Owners' Association and, to the best of my knowledge and belief, the same is complete and accurate.

<u>Debra Dailey</u>	<u>Division Lead</u>	<u>January 7, 2026</u>
Debra Dailey	Title	Date

CASTLE BRECKENRIDGE MANAGEMENT, INC.
Employer ID No. 54-2073893

Blue Pacific Mobile Home Owners' Association
220 Mar Vista Drive
Aptos, California

December 3, 2025

Courtney Sharp
Partner, Assurance Services | Audit
Aprio, LLP
Aprio Advisory Group, LLC

Dear Mr. Sharp,

This letter outlines Blue Pacific Mobile Home Owners' Association's action plan to correct past weaknesses in our financial statements produced by Management and to ensure that future accounting methodology includes sufficient processes and controls to avoid material misstatements. The transition from a previous management company to our present management company close to fiscal year-end presented obstacles to financial statement production which were not overcome satisfactorily by Management. This resulted in the development by Blue Pacific Mobile Home Owners' Association of in-house accounting infrastructure and practices, in order to produce financial statements without material weaknesses, through implementation of procedures detailed below.

Herein are our corrective accounting procedures which provide for prevention, detection and correction on a timely basis of potential material misstatements. Our internal controls are designed to support timely and accurate financial reporting, to protect our assets, and to ensure compliance with accounting standards and regulatory requirements. Our controls include segregation of duties, consistent documentation, timely input of account and journal entries, and oversight of all stages.

Segregation of duties is provided by our bookkeeper, our junior accountant, Directors of the Board, and our Manager. Protocols are assigned to each according to a schedule which will be fulfilled by replacements during absences. A manual detailing accounting procedures is under development, which will provide a mechanism for adherence, independent of staffing.

1. Revenue Collection Controls

- **Billing statement controls:**
Monthly billing statements are issued to tenants by ManageAmerica for rents, monthly member assessment fees, utility charges, property tax pass-throughs, and applicable fees. Our bookkeeper, our junior accountant, our Manager and at least one Director of the Board provide oversight. Monthly revenues categorized by account are reported on a timely basis and entered into our General Ledger (GL) in QuickBooks (QB) by our bookkeeper, and then reconciled at month end by our bookkeeper and by our junior accountant.
- **Collection controls:**
Renter and member payments are deposited directly into the operating bank account, and the related bank activity is automatically imported into QuickBooks via secure bank feeds.
- **Rental receipts submitted as personal checks or money orders are scanned, matched to the resident, and deposited promptly into our operating bank account by our bookkeeper, using a ManageAmerica-linked scanner. After timely audit by ManageAmerica and Jack Henry, the payment is applied to the resident's account and the deposit transaction is viewable in the operating bank account as well as on the ManageAmerica ledger for the resident. ManageAmerica and bank account deposits are reconciled by our bookkeeper and by our junior accountant.**
- **Variances between expected and actual rental collections are investigated and documented as part of routine monthly procedures. Delinquency / aging reports are run several times each month.**
- **Our bookkeeper records all rental receipts based on supporting billing records, while our junior accountant reviews these postings during each month-end close to ensure the completeness and accuracy of recorded revenue.**

2. Disbursement and Expense Controls

- **All vendor invoices (including utilities, maintenance, insurance, and other operating expenses) are received by our bookkeeper, who verifies the charges. Either QuickBooks automatically enters them into the GL with review by our bookkeeper, or our bookkeeper enters them manually.**

- Invoices other than ACH autopayments are approved by a Director of the Board and/or our Manager before payment is implemented by our bookkeeper and issued by billpay service within our operating checking account. Billpay histories cannot be altered. No physical checks are stocked for our operational accounts.
- Payments by check are issued only after appropriate approval by a Director of the Board and/or the Manager, and system permissions limit the ability to modify vendor data or authorize transactions, thereby reducing the risk of unauthorized disbursements. No personal reimbursements will be made.
- ACH automatic debits are reviewed each month and compared to invoices for accuracy.
- Mortgage payments, inclusive of escrow impounds for taxes and insurance, are scheduled according to lender statements and are automatically debited by ACH. Our bookkeeper records these payments, ensuring proper allocation between principal, interest, and the various escrow impound accounts, each month timely.
- Record of payments from escrow impound accounts are reported on our monthly Lument (mortgage servicer) invoice as debits from those impound accounts for payment of property taxes, mortgage insurance, and liability insurance. These are reviewed by a Director of the Board and our junior accountant and compared to payments recorded by the Santa Cruz County Tax Collector and by our insurance agency California Southwestern Insurance Agency and then recorded in our GL.
- Our junior accountant performs oversight of all recorded disbursements and validates that transactions are properly supported, coded, and approved.

3. Bank Reconciliation and Oversight

- Monthly bank statements are automatically downloaded into QuickBooks. This reduces manual entry risk and supports timely reconciliation of cash activity. Both operational accounts (West Coast Community Bank) and entity accounts (Wells Fargo Bank) are now included.
- Our junior accountant conducts bank reconciliation of all accounts at month-end, confirming the completeness of recorded transactions, reviewing outstanding items, and ensuring proper documentation for all adjustments.
- Any discrepancies identified in the reconciliation process are investigated immediately, with corrective entries reviewed for appropriateness before posting.

- Management and the Board of Directors receive the monthly reconciliation reports and financial statements for high-level review and oversight.

4. Assets

- Escrow impound account balances are updated by the lender upon receipt of mortgage payment each month. We receive these balances within the Lument invoice each month, with impound account values stated as of end of the month prior to the billing statement due date and also about 2 weeks prior, after the most recent payment was received by Lument. Asset values for various escrow impound accounts including property tax payment, liability insurance payment, mortgage insurance payment and reserve accounts are updated timely when Lument issues their monthly invoice.
- There are no petty cash accounts.
- Cash assets are updated monthly automatically from our bank accounts into QuickBooks and are reviewed by a Director of the Board and our junior accountant.

5. Segregation of Duties and Monitoring

- We maintain segregation of duties by assigning transaction processing (bookkeeper) and oversight, review, and reconciliation responsibilities (junior accountant) to different individuals.
- Our Manager and Board of Directors retain approval authority over significant expenditures and any non-routine or unusual transactions.
- Access controls within QuickBooks are actively maintained, and permissions are reviewed periodically to ensure alignment with job responsibilities.
- Monitoring procedures include reviews where Management and the Board of Directors examine financial statements, compare actual results to expectations, and evaluate any variances or anomalies.

6. Documentation, Audit Trail, and Record Retention

- All financial documentation—including vendor invoices, tenant billing records, mortgage statements, escrow analyses, and reconciliation support—is retained in accordance with our record-retention policy, which currently includes all digital records and in part paper duplicates.
- Supporting documentation is attached directly within QuickBooks wherever feasible, ensuring a clear, traceable audit trail for all recorded transactions.
- Check disbursements are recorded in our bank account billpay service, with invoice documentation included.
- Adjustments proposed by our junior accountant or Manager are documented with explanations, source materials, and evidence of review.

The corrective procedures detailed above construct internal controls to provide accurate, reliable financial reporting on a timely basis and to reduce the risk of material misstatements.

Sincerely,

Nancy Becker

Nancy Becker
President, Board of Directors
Blue Pacific Mobile Home Owners' Association

**BLUE PACIFIC MOBILE HOME OWNERS' ASSOCIATION
AUDITORS' TRANSMITTAL LETTER
June 30, 2025**

Audit Firm ID: 85170

Firm Name: Aprio, LLP

Lead Auditor: Courtney Sharp - Partner

Firm Address: 2002 Summit Boulevard, Suite 120
Atlanta, GA 30319

Telephone Number: (404) 982-9651

Employer Identification Number: 57-1157523

Date of Independent Auditors' Report: January 7, 2026

Auditor Contact E-mail: courtney.sharp@aprio.com