SEABREEZE
MANAGEMENT COMPANY
seabreezemgmt.com

July 23, 2026

RE: Talega Gallery Community Association
Audit for Fiscal Year Ending March 2026
Owner Notice Disclosure Form

Dear Talega Gallery Community Association Members,

California Civil Code § 5305 and your CC&Rs require that an independent review of the financial operations of your association be conducted at the end of each fiscal year.

Your Board of Directors has engaged the services of VanDerPol & Company to conduct an annual audit of the Association's financial statements. Their report is enclosed for your files.

It is suggested that you read this information carefully and keep these reports with all other documents concerning your property, as it may be necessary to show this information to any prospective buyers of your property.

Also included with this packet is an Owner Notice Disclosure form. Each year, all owners are required to provide specific information as required by California Civil Code § 4041 to ensure that the membership is kept informed. **Please complete the form and return it within 10 days to ensure you have met your obligations as required by the State of California.** If at any time you wish to change your method of delivery, simply contact the Seabreeze Customer Care Team in writing at 26840 Aliso Viejo Pkwy., Suite 100; Aliso Viejo, CA 92656 or by email at customercare@seabreezemgmt.com.

Lastly, if you prefer to receive your billing statements electronically, please visit https://estatements.welcomelink.com to sign up. This option allows you to receive only the Association statements electronically, while still receiving other official documentation via regular mail if you prefer.

Please note that the names and addresses of the current members are located at the offices of Seabreeze Management Company, Inc. Should you have any questions regarding the enclosed information, please contact our General Manager Jennifer Parker at 949-361-4685 or Jennifer.Parker@seabreezemgmt.com.

Sincerely,

The Board of Directors
Talega Gallery Community Association

SEABREEZE MANAGEMENT COMPANY

Talega Gallery Community Association
Owner Notice Disclosure

California law requires all Owners in a community association to provide the following information to the association on an annual basis. Please complete and return this form within ten (10) days. If this form is not returned, then by law, Association notices will only be sent to the last mailing address provided by you, or if none was received, the property address within this association.

1. Association Name ______________________
2. Owner Name(s) ______________________
3. Owner Phone(s): ______________________
4. Owner Email(s): ______________________
5. Address in the Association: ______________________
6. Mailing Address (can be same): ______________________
7. Valid Email Address(es): ______________________

Optional alternate or secondary delivery method for receiving notices from the Association, including:

8. Secondary Mailing Address(es): ______________________
9. Secondary Email Address(es): ______________________
10. Member's preferred delivery method for receiving notices:

Mailing address ☐ Email address ☐ Both ☐

If you wish to receive all applicable notices via email, please also complete and return the attached Electronic Consent Agreement.

11. Owner's legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the Member's extended absence from the separate interest:

a. Name: ______________________

b. Mailing Address: ______________________

c. Valid Email Address(es): ______________________

12. This property is (check one): Owner-occupied ☐ Rented out ☐

a. If rented out, your tenant's: C: Email: ______________________

13. This property is developed, but vacant: Yes ☐ No ☐
14. This property is on undeveloped land: Yes ☐ No ☐
15. Civil Code provides homeowners with an opportunity to "OPT OUT" of sharing their names, property address, and mailing address on the association's membership list. *This opt out shall remain in effect until changed by the homeowners*.
16. Do you wish to "OPT OUT" of neighbors receiving info? Yes ☐ No ☐

*Please note: Civil Code does not require members to provide an email address to the Association but does require the Association to ask for it. With this, please return this form within 10 days to:

c/o Seabreeze Management Company, Customer Care
26840 Aliso Viejo Pkwy, Suite 100
Aliso Viejo, CA 92656
customercare@seabreezemgmt.com

SEABREEZE
MANAGEMENT COMPANY

Electronic Consent Agreement

By signing below, you are providing consent for Seabreeze Management Company, Inc. to provide required disclosures to you electronically. This consent for electronic delivery applies to all required disclosures regarding accounts you have with us and is effective until withdrawn by you. Agreeing to accept disclosures electronically means that once we present them to you, and, if required, you accept them, they will apply to you and your accounts with us. It also means that we may not mail you copies of disclosures that are provided electronically. Accordingly, you should print or otherwise retain a copy for your records of this disclosure and all other disclosures you receive electronically. **Please note that this does not include e- statements.**

We may, at our discretion, make electronic disclosures available to you via our website or by email, and may choose to send paper copies of disclosures to you even though we made or could have made them available to you electronically. You can withdraw your consent to electronic delivery, but doing so will not affect the legal effectiveness, validity, or enforceability of the electronic documents that were provided to you before your withdrawal became effective. If you withdraw consent for electronic delivery, your withdrawal may take up to ten (10) days for us to process. You can request that we send you a paper copy of any disclosure that was originally provided electronically (we may charge you a fee for providing some documents and we will send these documents to you using the United States Postal Service), withdraw your consent to receive future documents electronically, or provide us with updated information about how we can contact you electronically by writing to us. If your e-mail address changes, you must provide us with the new address. You may address any inquiries or questions to Seabreeze Management Company, Inc., by visiting www.seabreezemgmt.com and sending us an e-mail to customercare@seabreezemgmt.com, calling us at 1-800-232-7517, or writing us at:

Seabreeze Management Company, Inc.
26840 Aliso Viejo Pkwy., Suite 100
Aliso Viejo, CA 92656

In order to receive electronic disclosures, you will need a working connection to the Internet. Your browser must support the Secure Sockets Layer (SSL) protocol. SSL provides a secure channel to send and receive data over the Internet through HS encryption capabilities. Microsoft Internet Explorer® version 7 or higher and Mozilla Firefox® version 3 or higher support this feature. You will also need either a printer connected to your computer to print documents or sufficient hard drive space available to save the information. We may change this disclosure by posting the revised version on our website. By signing below, you are confirming that you consent to electronic delivery of disclosures, that your system meets the requirements described above, that you are able to access disclosures presented on our website or via e-mail, and that you can either print or electronically store these disclosures.

I consent to receiving documents electronically (*required items):

*Print Name: ______________________________

*Unit Address: ______________________________

*Email Address: ______________________________

*Date: ____________________ *Signature: ______________________________

Preferred Phone: ______________ ☐ Mobile ☐ Home ☐ Work

If you are submitting this form by mail or electronically, please see the locations for receipt as noted above.

VanDerPol and Company
A Professional Accountancy Corporation
151 Kalmus Drive, #M-3A, Costa Mesa, California 92626 (714) 437-1025, FAX (714) 437-5900

June 26, 2026

Talega Gallery Community Association
c/o Seabreeze Management Company
26840 Aliso Viejo Parkway, Suite 100
Aliso Viejo, California 92656

To the Board of Directors:

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

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

Sincerely,

Catherine VanDerPol

VanDerPol and Company
A Professional Accountancy Corporation

Enclosures

TALEGA GALLERY COMMUNITY ASSOCIATION
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2026

TALEGA GALLERY COMMUNITY ASSOCIATION

Table of Contents

VanDerPol and Company
A Professional Accountancy Corporation
151 Kalmus Drive, #M-3A, Costa Mesa, California 92626 (714) 437-1025, FAX (714) 437-5900

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Owners
Talega Gallery Community Association

Opinion

We have audited the accompanying financial statements of Talega Gallery Community Association, which comprise the balance sheet as of March 31, 2026, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Talega Gallery Community Association as of March 31, 2026, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Talega Gallery Community Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Talega Gallery Community Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Talega Gallery Community Association’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Talega Gallery Community Association’s ability to continue as a going concern for a reasonable period of time.

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

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property on page 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

VanDerPol and Company

VANDERPOL AND COMPANY
A Professional Accountancy Corporation

Costa Mesa, California

June 19, 2026

TALEGA GALLERY COMMUNITY ASSOCIATION
BALANCE SHEET
AS OF MARCH 31, 2026

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents [Note 9]	$ 185,416	$ 129,896	$ 315,312
Member assessments receivable	1,960	--	1,960
Due from Seagarden Cost Center	--	1,639	1,639
Investments [Note 10]	--	900,000	900,000
Accrued interest receivable	--	25,245	25,245
Other receivable	502	--	502
Prepaid expenses	24,321	--	24,321
Prepaid taxes	--	7,979	7,979
Due from/(to) fund	(938)	938	--
Total Assets	$ 211,261	$ 1,065,697	$ 1,276,958
LIABILITIES			
Accounts payable and accrued expenses	$ 30,746	$ 2,813	$ 33,559
Prepaid assessments	29,838	--	29,838
Activity deposits held	8,559	--	8,559
Contract liability [Note 6]	--	932,498	932,498
Total Liabilities	69,143	935,311	1,004,454
FUND BALANCES	142,118	130,386	272,504
TOTAL LIABILITIES AND FUND BALANCES	$ 211,261	$ 1,065,697	$ 1,276,958

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

TALEGA GALLERY COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2026

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments [Notes 4 & 6]	$ 930,660	$ 108,746	$ 1,039,406
Investment income	--	43,551	43,551
Other income	5,065	--	5,065
Total Revenues	935,725	152,297	1,088,022
EXPENSES			
Utilities:			
Electricity	36,722	--	36,722
Water	58,266	--	58,266
Gas	18,404	--	18,404
Refuse	1,442	--	1,442
Telephone	10,405	--	10,405
Maintenance:			
Landscape maintenance and supplies	293,966	--	293,966
Irrigation repairs	15,808	--	15,808
Patrol service	10,258	--	10,258
Lighting maintenance and supplies	11,496	--	11,496
Pool service, supplies and repairs	23,794	--	23,794
Janitorial service and supplies	26,612	--	26,612
Pest control	2,852	--	2,852
Gate and fence repairs	1,102	--	1,102
Other common area maintenance	41,848	--	41,848
Replacement fund [Note 12]	--	108,646	108,646
Administrative:			
Insurance	20,907	--	20,907
Management fees	38,692	--	38,692
Professional fees	9,404	--	9,404
Income taxes [Note 8]	--	14,560	14,560
Recreation staff and related expenses	211,945	--	211,945
Postage and printing expense	6,861	--	6,861
Other administrative expenses	21,445	100	21,545
Total Expenses	862,229	123,306	985,535
EXCESS OF REVENUES OVER EXPENSES	73,496	28,991	102,487
Beginning Fund Balances	68,622	101,395	170,017
Ending Fund Balances	$ 142,118	$ 130,386	$ 272,504

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

TALEGA GALLERY COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2026

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess of revenues over expenses	$ 73,496	$ 28,991	$ 102,487
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:			
Increase in member assessments receivable	(395)	--	(395)
Increase in due from Seagarden Cost Center	--	(68)	(68)
Increase in accrued interest receivable	--	(11,692)	(11,692)
Increase in other receivable	(189)	--	(189)
Increase in prepaid expenses	(7,514)	--	(7,514)
Increase in prepaid taxes	--	(5,459)	(5,459)
Increase/(decrease) in accounts payable and accrued expenses	1,742	(6,504)	(4,762)
Increase in prepaid assessments	9,222	--	9,222
Increase in activity deposits held	1,044	--	1,044
Increase in contract liability	--	98,254	98,254
Change in due to/(from) fund	3,052	(3,052)	--
Net cash provided by operating activities	80,458	100,470	180,928
Cash flows from investing activities			
Acquisition of certificates of deposit	--	(675,000)	(675,000)
Maturity of certificates of deposit	--	675,000	675,000
Net increase in cash	80,458	100,470	180,928
Cash at beginning of year	104,958	29,426	134,384
Cash at end of year	$ 185,416	$ 129,896	$ 315,312

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

TALEGA GALLERY COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2026

NOTE 1. ORGANIZATION

Talega Gallery Community Association [the Association] is a statutory homeowners association which was organized as a non-profit mutual benefit corporation in April 2001. The purpose of the Association is primarily to maintain, preserve and control the defined common areas of the Association. The Association, which is an age restricted community (55 and over), is comprised of four separate housing tracts and is part of the Talega Maintenance Corporation – a master planned community located in San Clemente, California. The Association consists of 283 residential units, of which 41 units within the Seagarden tract pay an additional “cost center” assessment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting - The books and records for the Association are maintained on the accrual basis of accounting. The tax returns are also reported on the accrual basis of accounting.

Capitalization Policy and Depreciation - In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. Replacements and improvements to the real property which are directly associated with the units are also not capitalized. They are instead charged directly to either the Operating Fund or the Replacement Fund in the period they are incurred.

Significant capital assets not directly associated with the units, referred to as personal property assets, are capitalized and depreciated over their estimated useful life using the straight-line method of depreciation. During the year ended March 31, 2026, there were no significant personal property additions.

Fund Accounting - The Association’s accompanying financial statements have been prepared using fund accounting. Under this method of accounting, financial resources are separated into two categories, the Operating Fund and the Replacement Fund. Disbursements from the Replacement Fund generally may be made only for designated repair or replacement of major common area components. Disbursements from the Operating Fund are at the discretion of the Board of Directors and generally are for on-going repairs, maintenance, and administrative functions.

Investment Income - The Board’s policy is to allocate interest earned on Replacement Fund cash and investment accounts to the Replacement Fund, and to pay the related income taxes out of the Replacement Fund.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 3. REVENUE RECOGNITION

The Financial Accounting Standards Board (FASB) issued guidance in the Accounting Standards Codification (ASC) Topic 606 Revenue from Contracts with Customers. FASB ASC 606 is a revenue recognition standard that affects businesses that enter into contracts with customers to transfer goods and services, including public, private and non-public entities. The purpose of the standard is to eliminate variations in the way businesses across industries handle accounting for similar transactions.

NOTE 4. ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected.

Under the revenue recognition standard of ASC 606 [Note 3], the Association (an entity) has a performance obligation to the unit/unit owners (customers). The Association's approved annual Operating Fund budget establishes the maintenance, management, and administrative services that the Association is obligated to perform. These services can be bundled together as a single commercial objective and a single performance obligation. The budget establishes an implied contract price, and because these services are provided within an annual cycle, the respective Operating Fund assessments are considered revenue for the current period.

The performance obligations related to Replacement Fund assessments are satisfied when these financial resources are expended for their designated purpose.

For the year ended March 31, 2026, the Association's monthly assessment was $335 per unit. For the fiscal year ending March 31, 2027, the monthly assessment has been raised to $345 per unit.

Assessments receivable at March 31, 2026 represent assessments and other fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments, including filing of liens on the owner's unit, foreclosing on the unit owner, or obtaining judgment on other assets of the unit owner. The member assessments receivable balance at the beginning of the year and end of the year was $1,565 and $1,960, respectively.

NOTE 5. CREDIT LOSSES IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance in ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments also known as the Current Expected Credit Losses (CECL) model. This new guidance requires the Association to estimate and recognize an allowance for expected credit losses on financial assets measured at amortized cost such as member assessments receivable.

The CECL model replaces the previous "incurred loss" model, which required credit losses to be recognized only when incurred. Under the new model, credit losses must be recognized earlier, based on historical experience, current conditions and reasonable and supportable forecasts of future economic conditions. The CECL model requires the immediate recognition of management's estimates of "current credit losses" on financial instruments, including accounts receivable. The Association has adopted the new guidance on April 1, 2025. This approach is consistent with the methods the Association previously used to establish allowance for credit losses. The cumulative effect of adopting this standard did not result in any changes to the beginning of the year's allowance for credit losses or the Operating Fund balance.

Assessments and other fees that cannot be collected with certainty are charged against the respective revenue rather than credit loss expense. Credit loss expense will still be used to account for uncollectible receivable balances that were recorded in prior periods.

NOTE 6. CONTRACT LIABILITY

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations which specifically pertains to Replacement Fund assessments. The activity in contract liability for the year ended March 31, 2026 was as follows:

Contract liability at March 31, 2025	$ 834,244
Assessments allocated to Replacement Fund	207,000
Revenue released to match Replacement Fund expenses	(108,746)
Contract liability at March 31, 2026	$ 932,498

NOTE 7. REPLACEMENT FUNDING PROGRAM

In accordance with the Association's governing documents, which require that funds be accumulated for future major repairs and replacements, the Association has established certain amounts as reserves for future capital expenditures. Members' assessments relating to the replacement funding program are considered capital contributions from members' dues and as such are restricted in usage. Disbursements are to be made only if specifically approved by the Board of Directors.

An independent study of the Association's replacement funding program was conducted in January 2026 and recommends a contribution to the Replacement Fund of approximately $170,000 ($50.06 per unit per month) for the fiscal year ending March 31, 2027 using the "directed cash flow" method. The study's recommendations were based on estimates of remaining useful lives, current replacement costs, and amounts accumulated in the Replacement Fund. For the year ended March 31, 2026, the Association funded $207,000 from assessments to the Replacement Fund. The 2026/2027 budget includes the study's recommended amount for replacement funding. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Association 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 may vary from the estimated amounts and the variations may be material. Therefore, amounts collected for replacement obligations may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Association's governing documents, to pass special assessments, increase monthly assessments, or delay replacement until funds are available.

NOTE 8. INCOME TAXES

The Association may elect to file its federal income tax return as either a regular corporation [under Internal Revenue Code Section 277] or as a homeowners association [under Internal Revenue Code Section 528]. For the year ended March 31, 2026, the Association elected to file as a homeowners association, where generally the association is taxed only on income unrelated to membership dues and assessments [such as interest income less related expenses]. For California purposes, the Association also qualifies for tax exempt status as a homeowners association under California Revenue and Taxation Code Section 23701t and pays a tax of 8.84% on income not related to membership dues and assessments. For the year ended March 31, 2026, the federal and California income tax expense was $12,998 and $3,197, respectively.

NOTE 8. INCOME TAXES – (CONTINUED)

Additionally, the financial records of the Association are combined with those of the Seagarden Cost Center for income tax reporting purposes. The resulting tax liability is initially paid by the Association; however, the Seagarden Cost Center's share of the expense is allocated accordingly. For the year ended March 31, 2026, the Seagarden Cost Center's share of the federal and California income tax expense was $1,635 and $0, respectively.

The Association utilizes the liability method of accounting for income taxes. Under the liability method deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Because there is no material difference between the financial accounting and tax basis of the Association's assets and liabilities, the Association has not recorded any deferred tax assets or liabilities.

The Association has adopted accounting standards for the accounting for uncertainty in income taxes. These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by an association. Management believes that all of the positions taken by the Association in its federal and state income tax returns are more likely than not to be sustained upon examination. The Association's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed; however, there are currently no audits in progress.

NOTE 9. SCHEDULE OF CASH BALANCES

Generally, certificates of deposit and other debt securities with original maturities less than 90 days are considered cash equivalents, while certificates of deposits and debt securities with maturities over 90 days are considered "investments."

At March 31, 2026, the Association maintained cash balances at the following institutions:

Operating Fund:	
Morgan Stanley - open-end non-sweep mutual funds	$ 105,509
Sunwest Bank - checking	68,483
Sunwest Bank - checking (events)	8,559
Sunwest Bank - checking	2,865
Total Cash - Operating Fund	$ 185,416
Replacement Fund:	
Morgan Stanley - open-end non-sweep mutual funds	$ 129,896

NOTE 10. INVESTMENTS

The Association's investments consist of certificates of deposit. Investment income from these investments is recorded when earned. The investments are considered to be held to maturity and are carried at cost, which approximates the fair value. At March 31, 2026, the Association's investments totaled $900,000. The investments have remaining maturity dates ranging from one to five months and interest rates ranging from 3.70% to 4.20%.

NOTE 11. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes amounted to $24,200 for the year ended March 31, 2026. No interest was paid and there were no non-cash investing or financing transactions during the year.

NOTE 12. REPLACEMENT FUND EXPENDITURES

Replacement fund expenditures for the year ended March 31, 2026 were as follows:

Tree maintenance	$ 51,840
Clubhouse	31,862
Irrigation	21,385
Recreation area - fountains	2,651
Landscape	908
Total	$ 108,646

NOTE 13. RELATED PARTY TRANSACTIONS

During the year, the Association reimbursed a homeowner $155 for common area materials purchased for Association use.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 19, 2026, which is the date the financial statements were available to be issued.

TALEGA GALLERY COMMUNITY ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF MARCH 31, 2026
(UNAUDITED)

An independent reserve study was conducted in January 2026 to estimate the remaining useful lives and the replacement costs of the components of common property. The study was based upon representations by the Board of Directors and the experience and knowledge of the independent reserve analyst. The estimates were based on current replacement costs adjusted for an annual inflation rate of 2.50%. These estimates are used as a foundation in arriving at recommended funding requirements, based upon cash and investments which have been collected for future repairs and replacements, earning a yield on funds of 3.25%.

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

Common Area Component	**Estimated Remaining Useful Lives**	**Estimated Current Replacement Costs**	**2026/2027 *Recommended* Funding Requirement**	**Study's *Recommended* Fund Balance**
Parking lot/concrete	0-4 years	79,700	3,484	70,838
Painting	2-5 years	74,596	5,142	56,011
Access system	3-9 years	97,600	7,454	50,183
Fences/walls	2-9 years	228,389	22,671	65,211
Lighting	0-24 years	149,005	9,816	93,597
Pools/spas	0-11 years	304,524	20,595	100,181
Clubhouse	0-26 years	1,245,163	62,138	858,662
Signs	1 year	19,400	576	18,621
Irrigation	0-11 years	143,875	7,980	53,532
Landscape	0-2 years	163,000	25,193	117,775
Insurance deductible	N/A years	--	--	20,000
Contingency	N/A years	--	4,951	45,138
	Total	$ 2,505,252	$ 170,000	$ 1,549,749
The accumulated contract liability and Replacement Fund balance at 3/31/26:				$ 1,062,884