

VILLAS DE GOLF ASSOCIATION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Villas De Golf Association Inc.  
Largo, Florida

We have audited the accompanying balance sheet of **VILLAS DE GOLF ASSOCIATION INC.** as of December 31, 2009, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **VILLAS DE GOLF ASSOCIATION INC.** as of December 31, 2009, 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.

To: Villas De Golf Association Inc.

The supplementary information on future major repairs and replacements on pages 13-14 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Bashor & Legendre, LLP*

BASHOR & LEGENDRE, LLP  
Certified Public Accountants

June 8, 2010

VILLAS DE GOLF ASSOCIATION INC.  
BALANCE SHEET  
AS OF DECEMBER 31, 2009

	OPERATING <u>FUND</u>	REPLACEMENT <u>FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 99,312	\$ 73,987	\$ 173,299
Investments	0	593,724	593,724
Assessments receivable - net	4,073	0	4,073
Prepaid expenses	31,342	0	31,342
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 134,727</u>	<u>\$ 667,711</u>	<u>\$ 802,438</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Accounts payable	\$ 10,481	\$ 0	\$ 10,481
Prepaid assessments	9,265	0	9,265
Income taxes payable	5,295	0	5,295
Total Liabilities	<hr/> 25,041	<hr/> 0	<hr/> 25,041
Fund Balance	<hr/> 109,686	<hr/> 667,711	<hr/> 777,397
Total Liabilities and Fund Balance	<u>\$ 134,727</u>	<u>\$ 667,711</u>	<u>\$ 802,438</u>

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

VILLAS DE GOLF ASSOCIATION INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>REVENUES</u>	<u>OPERATING</u> <u>FUND</u>	<u>REPLACEMENT</u> <u>FUND</u>	<u>TOTAL</u>
Regular assessments	\$ 277,224	\$ 138,096	\$ 415,320
Interest income	1,055	22,987	24,042
Other income	1,398	0	1,398
	<u>279,677</u>	<u>161,083</u>	<u>440,760</u>
 <u>EXPENSES</u>			
Building maintenance	27,322	0	27,322
Cable	30,808	0	30,808
Division fees	696	0	696
Electricity	21,103	0	21,103
Elevator	1,944	0	1,944
Fertilizer/insecticide	3,421	0	3,421
Fire alarm and equipment	3,034	0	3,034
Grounds improvements	15,827	0	15,827
Insurance	58,276	0	58,276
Irrigation	9,639	0	9,639
Janitorial	17,267	0	17,267
Laundry room maintenance	112	0	112
Lawn and landscape care	27,886	0	27,886
Legal fees	4,721	0	4,721
Management fees	19,257	0	19,257
Office expenses	7,085	0	7,085
Pest control	2,675	0	2,675
Pool	5,819	0	5,819
Sewer	39,958	0	39,958
Storm water	10,742	0	10,742
Tax/license/permit	661	0	661
Taxes	5,585	0	5,585
Telephone	2,144	0	2,144
Trash	9,245	0	9,245
Water	14,962	0	14,962
Replacement expenditures	0	145,963	145,963
	<u>340,189</u>	<u>145,963</u>	<u>486,152</u>

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

VILLAS DE GOLF ASSOCIATION INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>EXCESS (DEFICIT) OF</u> <u>REVENUES OVER EXPENSES</u>	<u>OPERATING</u> <u>FUND</u>	<u>REPLACEMENT</u> <u>FUND</u>	<u>TOTAL</u>
	(60,512)	15,120	(45,392)
<u>BEGINNING FUND BALANCE</u>	105,879	716,910	822,789
<u>TRANSFER OF FUNDS</u>	64,319	(64,319)	0
<u>ENDING FUND BALANCE</u>	<u>\$ 109,686</u>	<u>\$ 667,711</u>	<u>\$ 777,397</u>

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

VILLAS DE GOLF ASSOCIATION INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>OPERATING</u> <u>FUND</u>	<u>REPLACEMENT</u> <u>FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
Excess (Deficit) of Revenues			
Over Expenses	\$ (60,512)	\$ 15,120	\$ (45,392)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash from operating activities:			
(Increase) Decrease in:			
Assessments receivable	(2,606)	0	(2,606)
Prepaid expenses	1,295	0	1,295
Increase (Decrease) in:			
Accounts payable	(7,112)	(1,010)	(8,122)
Income taxes payable	(2,041)	0	(2,041)
Prepaid assessments	2,786	0	2,786
Net Cash from Operating Activities	<u>(68,190)</u>	<u>14,110</u>	<u>(54,080)</u>
<u>CASH FLOWS FROM FINANCING</u>			
<u>ACTIVITIES</u>			
Interfund transfers	7,267	(7,267)	0
Transfer of funds	64,319	(64,319)	0
Net Cash from Financing Activities	<u>71,586</u>	<u>(71,586)</u>	<u>0</u>

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



VILLAS DE GOLF ASSOCIATION INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>OPERATING</u> <u>FUND</u>	<u>REPLACEMENT</u> <u>FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM INVESTING</u> <u>ACTIVITIES</u>			
Proceeds from investments	0	422,880	422,880
Purchases of investments	0	(360,171)	(360,171)
Net Cash from Investing Activities	<u>0</u>	<u>62,709</u>	<u>62,709</u>
<u>NET INCREASE (DECREASE) IN CASH</u> <u>AND CASH EQUIVALENTS</u>	3,396	5,233	8,629
<u>CASH AND CASH EQUIVALENTS</u> <u>AT BEGINNING OF YEAR</u>	<u>95,916</u>	<u>68,754</u>	<u>164,670</u>
<u>CASH AND CASH EQUIVALENTS</u> <u>AT END OF YEAR</u>	<u>\$ 99,312</u>	<u>\$ 73,987</u>	<u>\$ 173,299</u>

SUPPLEMENTAL DISCLOSURE OF  
CASH FLOW INFORMATION

Cash paid for taxes	<u>\$ 7,336</u>
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The accompanying notes are an integral part of the financial statements.

VILLAS DE GOLF ASSOCIATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - NATURE OF ORGANIZATION

Villas De Golf Association Inc. is a statutory condominium association incorporated in the State of Florida on October 25, 1972 as a corporation, not-for profit, under the terms and provisions of Chapter 617, Florida Statutes. The Association, which operates under Florida Statute 718, is responsible for the operation and maintenance of the common property of Villas De Golf Association Inc. The association consists of 174 residential units located in Largo, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacement fund generally may be made only for designated purposes.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are seriously delinquent. Any excess assessments at year end are retained by the Association for use in future years.

Interest Earned

The Association's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest bearing deposits of each fund.

VILLAS DE GOLF ASSOCIATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fair Value of Financial Instruments

The Association's financial instruments consist primarily of cash and cash equivalents, investments, member assessments receivable, accounts payable, and taxes payable. The carrying amounts of such financial instruments approximate their respective estimated fair values due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair values are not necessarily indicative of the amounts the Association would realize in a current market exchange or from future earnings or cash flows.

Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. The Association recognizes personal property assets at cost. The personal property is depreciated over its estimated useful life using straight line depreciation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

VILLAS DE GOLF ASSOCIATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Investments

Investments consist of certificates of deposits that are classified as held-to-maturity and carried at amortized cost. The original maturities of the certificates are greater than three months. The estimated fair values of the investments approximate its amortized cost at the balance sheet date; therefore, there were no unrecognized holding gains or losses.

Subsequent Events

The date to which events occurring after the balance sheet date have been evaluated for possible adjustment to the financial statements or disclosure is the report date, which is the date on which the financial statements were available to be issued.

NOTE 3 - OWNERS' ASSESSMENTS

Monthly assessments to owners ranged from approximately \$143 to \$271 for the year ended December 31, 2009. The assessment per unit is based on the unit size. Of those amounts, approximately \$46 to \$92 was designated for the replacement fund.

The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide certain guidelines for governing its financial activities. The Association maintains an operating fund available for general operations and a replacement fund designated for future major repair and replacements. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

VILLAS DE GOLF ASSOCIATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS, (Continued)

During the last quarter of the year the board of directors, in conjunction with management and vendors, estimated the remaining useful lives and the replacement costs of the components of common property. At this time the board has not conducted an independent formal study of all the common property components which results may differ. The table included in the supplementary information on Future Major Repairs and Replacements is based on the informal study.

The board is partially funding for major repairs and replacements over the remaining useful lives of the components based on the informal study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, \$153,024 of the \$576,243 funding requirement has been included in next year's budget.

The funding requirements were included in the proposed budget for 2010 which was discussed at a membership meeting during 2009. At that meeting, the membership voted to partially fund reserves. For that reason, and because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. When funds are needed for those purposes, the Association has the right to increase the regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Florida Statutes require a membership vote in advance to use reserve funds for purpose other than originally intended. During the year the association used reserve funds for other than their original purpose. There was no evidence of a membership vote taken prior to this action. No adjustments have been made to the financial statements regarding the above.

Florida Statutes require the proxy statement used to obtain membership approval to waive or reduce the funding of reserves, or use existing reserve funds for other than their original purposes, to contain certain form and content. During 2009 the membership voted to partially fund reserves for 2010 and to use reserve funds for purposes other than originally intended. We could not obtain evidence that the proxy prepared by the Association for these votes contained the language required by Florida Statutes. No adjustments have been made to the financial statements regarding the above.

VILLAS DE GOLF ASSOCIATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS, (Continued)

The balances of the components of the replacement fund at December 31, 2009 are as follows:

<u>COMPONENT</u>	<u>BALANCE</u> <u>01/01/2009</u>	<u>ADDITIONS</u> <u>TO FUND</u>	<u>CHARGES</u> <u>TO FUND</u>	<u>TRANS.</u> <u>FROM FUND</u>	<u>BALANCE</u> <u>12/31/2009</u>
Painting	\$ 85,946	\$ 9,996	\$ 0	\$ 0	\$ 95,942
Roofing	216,474	28,800	8,819	0	236,455
Paving	197,399	0	22,315	(140,000)	35,084
Pool	6,551	2,160	1,142	0	7,569
Landscaping	0	0	24,022	30,000	5,978
Structural buildings	11,719	3,000	0	0	14,719
Walkways/ stairways	37,972	0	23,019	0	14,953
Carport paint & replacement	11,748	4,020	14,015	0	1,753
Sewer	15,195	2,400	2,900	0	14,695
Grounds infrastructure	5,905	12,804	0	0	18,709
Elevator	48,714	4,440	0	0	53,154
Rec/maint/ clubhouse	6,668	3,672	629	0	9,711
Laundry room	0	600	43,431	42,900	69
Insurance	22,876	65,004	0	(56,983)	30,897
Fire alarm system	0	1,200	0	25,000	26,200
Deferred maintenance	17,078	0	5,671	42,100	53,507
Interest	32,665	22,987	0	(7,336)	48,316
<b>Total</b>	<b>\$716,910</b>	<b>\$161,083</b>	<b>\$145,963</b>	<b>\$ (64,319)</b>	<b>\$ 667,711</b>

NOTE 5 - INCOME TAXES

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a regular corporation for the year ended December 31, 2009. Under that election, the Association is generally taxed on its nonmember income, such as interest earnings. Member income, which consists primarily of member assessments, is not taxable.

VILLAS DE GOLF ASSOCIATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - ASSESSMENTS RECEIVABLE

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are seriously delinquent. As of December 31, 2009, the Association had net assessments receivable of \$4,073. It is the opinion of the Board of Directors, that an allowance for doubtful accounts of \$0 is needed at December 31, 2009 to cover anticipated losses from doubtful accounts.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Association maintains its cash balances at financial institutions. Accounts at each institution are insured subject to FDIC limits.

SUPPLEMENTARY INFORMATION



VILLAS DE GOLF ASSOCIATION INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)

During the last quarter of the year the board of directors, in conjunction with management and vendors, estimated the remaining useful lives and the replacement costs of the components of common property. At this time the board has not conducted an independent formal study of all the common property components, which results may differ. The informal study conducted during the last quarter of the year may not be all inclusive. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

<u>COMPONENTS</u>	<u>ESTIMATED LIVES</u>	<u>ESTIMATED REMAINING LIVES</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>	<u>2010 REQUIRED STATUTORY FUNDING</u>	<u>2010 PROPOSED BUDGETED FUNDING</u>
Painting	12	4	\$ 196,691	\$ 25,187	\$ 25,187
Roofing	35	19	993,938	39,868	39,868
Paving	20	1	206,618	171,534	171,534
Pool	14	5	46,000	7,554	7,554
Landscaping	1	1	25,000	20,000	20,000
Structural buildings	38	5	174,836	32,023	32,023
Walkways/ stairways	37	2	174,836	74,892	74,892
Carpport paint & replacement	15	7	241,493	34,249	34,249
Sewer	38	5	34,193	3,900	3,900
Grounds infrastructure	10	7	129,687	15,854	15,854
Elevator	20	13	87,418	2,636	2,636
Rec/maint/ clubhouse	7	1	65,564	55,853	55,853
Laundry room	15	10	44,000	4,393	4,393
Insurance	1	1	63,000	63,000	63,000

VILLAS DE GOLF ASSOCIATION INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
 (Unaudited)

<u>COMPONENTS</u>	<u>ESTIMATED LIVES</u>	<u>ESTIMATED REMAINING LIVES</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>	<u>2010 REQUIRED STATUTORY FUNDING</u>	<u>2010 PROPOSED BUDGETED FUNDING</u>
Fire alarm system	10	1	51,500	25,300	25,300
Deferred maintenance	NA	NA	NA	0	0
Interest	NA	NA	NA	0	0
			<u>\$ 2,534,774</u>	<u>\$ 576,243</u>	<u>\$ 576,243</u>