

VILLAS DE GOLF ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Villas De Golf Association, Inc., which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Villas De Golf Association, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

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, 2012, 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in replacement fund, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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.



BASHOR & LEGENDRE, LLP
Certified Public Accountants

April 23, 2013

VILLAS DE GOLF ASSOCIATION, INC.

BALANCE SHEET

AS OF DECEMBER 31, 2012

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 90,755	\$ 525,425	\$ 616,180
Assessments receivable-net	609	-	609
Prepaid expenses	<u>55,893</u>	<u>-</u>	<u>55,893</u>
Total Assets	<u>\$ 147,257</u>	<u>\$ 525,425</u>	<u>\$ 672,682</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 11,206	\$ -	\$ 11,206
Taxes payable	-	3,337	3,337
Prepaid assessments	<u>6,855</u>	<u>-</u>	<u>6,855</u>
Total Liabilities	18,061	3,337	21,398
Fund Balances	<u>129,196</u>	<u>522,088</u>	<u>651,284</u>
Total Liabilities and Fund Balances	<u>\$ 147,257</u>	<u>\$ 525,425</u>	<u>\$ 672,682</u>

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

VILLAS DE GOLF ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Regular assessments	\$ 269,357	\$ 204,115	\$ 473,472
Other income	12,791	7,123	19,914
Interest income	364	23,358	23,722
Total Revenues	<u>282,512</u>	<u>234,596</u>	<u>517,108</u>
<u>EXPENSES</u>			
Cable	33,826	-	33,826
General and administrative	43,779	-	43,779
Insurance	106,631	-	106,631
Repairs and maintenance	116,422	-	116,422
Security	2,620	-	2,620
Taxes	-	3,337	3,337
Trash	7,429	-	7,429
Utilities	84,314	-	84,314
Replacement expenses	-	225,189	225,189
Total Expenses	<u>395,021</u>	<u>228,526</u>	<u>623,547</u>
<u>EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES</u>	(112,509)	6,070	(106,439)
<u>BEGINNING FUND BALANCES</u>	128,915	628,808	757,723
Transfer of funds	<u>112,790</u>	<u>(112,790)</u>	<u>-</u>
<u>ENDING FUND BALANCES</u>	<u>\$ 129,196</u>	<u>\$ 522,088</u>	<u>\$ 651,284</u>

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

VILLAS DE GOLF ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess/(Deficit) of Revenues over Expenses	\$ (112,509)	\$ 6,070	\$ (106,439)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash from operating activities:			
Provision for doubtful accounts	5,680	-	5,680
(Increase) Decrease in:			
Assessments receivable	(4,836)	-	(4,836)
Prepaid expenses	(6,159)	-	(6,159)
Increase (Decrease) in:			
Accounts payable	(2,923)	(2,025)	(4,948)
Taxes payable	-	2,815	2,815
Prepaid assessments	(1,478)	-	(1,478)
Net Cash from Operating Activities	(122,225)	6,860	(115,365)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Transfer of funds	112,790	(112,790)	-

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

VILLAS DE GOLF ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(9,435)	(105,930)	(115,365)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>100,190</u>	<u>631,355</u>	<u>731,545</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 90,755</u>	<u>\$ 525,425</u>	<u>\$ 616,180</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for taxes	<u>\$ 522</u>
-------------------------------------	---------------

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

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION

Description of Business

Villas De Golf Association, Inc. (“Association”) was incorporated 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 within the development. The development 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 (“Board”). Disbursements from the replacement fund generally may be made only for designated purposes.

Cash and Cash Equivalents

For purposes of the statement 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.

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 property is depreciated over its estimated useful life using the accelerated method of depreciation.

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 homeowners whose assessments are seriously delinquent. Any excess assessments at year end are retained by the Association for use in future years.

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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.

Fair Value of Financial Instruments

The Association's financial instruments consist primarily of cash and cash equivalents, 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.

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.

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 - 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, 2012, the Association had net assessments receivable of \$609. It is the opinion of the Board that an allowance for doubtful accounts of \$5,680 is needed at December 31, 2012 to cover anticipated losses from doubtful accounts.

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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.

During the last quarter of the year, the Board, 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 funding requirements were included in the proposed budget for 2013 which was discussed at a special membership meeting during 2012. At that meeting, the membership voted to partially fund the reserves. Accordingly, \$225,320 of the \$262,547 funding requirement has been included in the next year's budget. 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.

NOTE 5 - OWNERS' ASSESSMENTS

Monthly assessments to owners ranged from approximately \$163 to \$310 per unit, based on each unit's percent of ownership, for 2012. Of these amounts, approximately \$70 to \$134 was designated for the replacement fund.

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

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - 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, 2012. Under that election, the Association is generally taxed on its nonmember income, such as interest earnings. Member income, which consists primarily of membership assessments, is not taxable.

The Association's federal tax returns filed within the past three years and state tax returns filed within the past five years remain open to examination by the Internal Revenue Service and Florida Department of Revenue, respectively. The Association has evaluated its tax provisions and believes that no accruals are necessary at December 31, 2012.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Association maintains accounts with financial institutions. Accounts at each institution are insured subject to FDIC limits.

SUPPLEMENTARY INFORMATION

VILLAS DE GOLF ASSOCIATION, INC.
SCHEDULE OF CHANGES IN REPLACEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

(unaudited)

The balances of the components of the replacement fund at December 31, 2012 are as follows:

<u>Components</u>	<u>Balance 01/01/12</u>	<u>Additions to Fund</u>	<u>Other Income</u>	<u>Charges to Fund</u>	<u>Transfers</u>	<u>Balance 12/31/12</u>
Painting	\$ 115,934	\$ 10,997	\$ 3,645	\$ (115,320)	\$ -	\$ 15,256
Roofing	270,302	30,800	-	(12,944)	-	288,158
Pavement	37,118	2,000	-	(16,309)	-	22,809
Pool	17,959	7,500	-	-	-	25,459
Landscape	10,189	15,000	-	(11,372)	-	13,817
Structural building	18,098	499	-	(24,307)	6,000	290
Walk & stairways	793	500	-	(12,780)	12,000	513
Carport replacement	5,003	3,000	-	-	-	8,003
Sewer	1,119	499	-	(205)	-	1,413
Grounds infrastructure	4,913	-	-	(4,219)	-	694
Elevator	53,384	499	-	-	-	53,883
Rec/maint/clubhouse	4,454	3,001	3,478	(3,804)	-	7,129
Laundry room	8,109	4,020	-	(2,489)	-	9,640
Insurance	21,456	115,000	-	-	(112,790)	23,666
Fire alarm system	32,200	500	-	-	-	32,700
Deferred maintenance	19,375	10,300	-	(21,365)	(2,300)	6,010
Interest	8,402	23,358	-	(3,412)	(15,700)	12,648
	<u>\$ 628,808</u>	<u>\$ 227,473</u>	<u>\$ 7,123</u>	<u>\$(228,526)</u>	<u>\$ (112,790)</u>	<u>\$ 522,088</u>

VILLAS DE GOLF ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(unaudited)

During the last quarter of the year the Board, 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 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 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>2013 Required Funding</u>	<u>2013 Proposed Budgeted Funding</u>
Painting	11	11	\$ 165,000	\$ 13,945	\$ 13,945
Roofing	35	16	1,500,000	75,740	75,740
Pavement	3	3	25,000	729	729
Pool	14	3	50,265	8,269	8,269
Landscape	4	4	55,000	10,149	10,149
Structural building	38	9	56,000	6,079	6,079
Walk & stairways	37	15	25,000	1,633	1,633
Carport replacement	15	10	175,000	16,711	16,711
Sewer	38	10	39,424	3,801	3,801
Elevator	20	11	75,000	1,920	1,920
Rec/maint/clubhouse	17	7	51,500	6,339	6,339
Laundry room	15	12	55,000	3,780	3,780
Insurance	1	1	127,500	103,838	103,838
Fire alarm system	10	7	100,000	9,614	9,614
Deferred maintenance	1	1	57,826	-	-
			<u>\$ 2,557,515</u>	<u>\$ 262,547</u>	<u>\$ 262,547</u>