

**SOUTH WIND VILLAS HOMEOWNERS  
ASSOCIATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2016



## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Members  
South Wind Villas Homeowners Association  
Winston-Salem, North Carolina

Management is responsible for the accompanying financial statements of South Wind Villas Homeowners Association (a nonprofit organization), which comprise the balance sheet as of December 31, 2016, and the related statements of revenues and expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

### Supplementary Information

The supplementary information contained in the "Proposed Budget for 2017" is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

*Cannon & Company, L.L.P.*

April 13, 2017

**SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION**  
**BALANCE SHEET**  
December 31, 2016

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 77,854	\$ -	\$ -	\$ 77,854
Accounts receivable, homeowners	71,730	-	-	71,730
Due from operating fund	<u>-</u>	<u>2,764</u>	<u>514</u>	<u>3,278</u>
TOTAL CURRENT ASSETS	149,584	2,764	514	152,862
Property and equipment (net of accumulated depreciation of \$1,898)	<u>1,005</u>	<u>-</u>	<u>-</u>	<u>1,005</u>
TOTAL ASSETS	<u><u>\$ 150,589</u></u>	<u><u>\$ 2,764</u></u>	<u><u>\$ 514</u></u>	<u><u>\$ 153,867</u></u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Due to replacement fund	\$ 2,764	\$ -	\$ -	\$ 2,764
Due to equipment fund	<u>514</u>	<u>-</u>	<u>-</u>	<u>514</u>
TOTAL CURRENT LIABILITIES	3,278	-	-	3,278
FUND BALANCES	<u>147,311</u>	<u>2,764</u>	<u>514</u>	<u>150,589</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 150,589</u></u>	<u><u>\$ 2,764</u></u>	<u><u>\$ 514</u></u>	<u><u>\$ 153,867</u></u>

**SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION****STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES**

For the Year Ended December 31, 2016

	Operating	Replacement	Equipment	Total
REVENUES				
Dues	\$ 325,620	\$ -	\$ -	\$ 325,620
Late fees	8,100	-	-	8,100
Loss on uncollected fees	(3,640)	-	-	(3,640)
TOTAL REVENUES	330,080	-	-	330,080
EXPENSES				
Accounting	2,451	-	-	2,451
Bank fees	346	-	-	346
Common area repair and maintenance	2,137	-	-	2,137
Computer	675	-	-	675
Depreciation	670	-	-	670
Garbage	8,902	-	-	8,902
Grounds maintenance	31,190	-	-	31,190
Gutter cleaning and repair	3,588	-	-	3,588
Insurance	40,945	-	-	40,945
Legal fees	1,095	-	-	1,095
Management fees	15,020	-	-	15,020
Miscellaneous expenses	534	-	-	534
Office expense	3,189	-	-	3,189
Painting	1,500	-	-	1,500
Pest control	4,435	-	-	4,435
Plumbing and electrical repairs	43,048	-	-	43,048
Pool maintenance	5,873	-	-	5,873
Roofing repairs	3,598	-	-	3,598
Settlement to owner	577	-	-	577
Supplies	1,704	-	-	1,704
Taxes and licenses	317	-	-	317
Telephone	320	-	-	320
Utilities	14,149	-	-	14,149
Water and sewer	64,048	-	-	64,048
TOTAL EXPENSES	250,311	-	-	250,311
EXCESS REVENUES OVER EXPENSES BEFORE OTHER INCOME	79,769	-	-	79,769
OTHER INCOME				
Interest	62	-	-	62

See accompanying notes and independent accountants' compilation report.

**SOUTH WIND VILLA HOMEOWNERS ASSOCIATION****STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES (CONTINUED)**

For the Year Ended December 31, 2016

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	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
EXCESS REVENUES OVER EXPENSES	79,831	-	-	79,831
BEGINNING FUND BALANCES	<u>67,480</u>	<u>2,764</u>	<u>514</u>	<u>70,758</u>
ENDING FUND BALANCES	<u>\$ 147,311</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 150,589</u>

**SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2016

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CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in fund balance	\$ 79,831
Adjustments to reconcile increase in fund balance to net cash provided by operating activities:	
Depreciation expense	670
Changes in:	
Accounts receivable	<u>(32,876)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>47,625</u>
NET INCREASE IN CASH	47,625
CASH AT BEGINNING OF YEAR	<u>30,229</u>
CASH AT END OF YEAR	<u><u>\$ 77,854</u></u>

**SOUTH WIND VILLAS HOME OWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

South Wind Villas Homeowners Association (the “Association”) is a nonprofit corporate organization in the State of North Carolina. Its primary purposes are the operation and maintenance of the common property of South Wind Villa Condominiums. The Association consists of 162 residential units located on Teague Road in Winston-Salem, North Carolina.

A summary of the Association’s significant accounting policies follows:

Fund Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities by using fund accounting. The Association uses two classifications for maintaining its financial resources according to their nature and purpose:

Operating fund: This fund is used to account for financial resources available for the general operations of the Association.

Capital improvements fund: This fund is used to accumulate financial resources designated for capital improvements, equipment and future major repairs and replacements. This fund is separated into two categories: “Replacement” for replacement of existing capital assets, and “Equipment” for the purchase of new equipment.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all cash investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

The Association records accounts receivables at the amount management expects to collect from outstanding balances at year-end. Management closely monitors outstanding balances and dues received from individual unit owners.

Property and Equipment

Property and equipment are carried at cost and are depreciated under straight-line and accelerated methods over their estimated useful lives as determined under the Internal Revenue Code. The Association does not record the real property and common areas acquired from the developer in the financial statements because the individual unit owners own those properties in common.

**SOUTH WIND VILLAS HOME OWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

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.

Income Taxes

Homeowners associations may elect to be taxed as regular corporations or as homeowners associations. For the year ended December 31, 2016, the Association has elected to be taxed as a homeowners association. Consequently, no provision for income taxes has been made in the accompanying statements. The Association's management believes that there is a basis for all tax positions taken by the Association in their tax returns. Therefore, there are no uncertain positions disclosed in these financial statements.

The Association's Forms 1120-H, *Return for Homeowners Associations* for 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they are filed

Subsequent Events

Management has evaluated subsequent events through April 13, 2017, the date the financial statements were available to be issued.

**NOTE B – CASH AND CASH EQUIVALENTS**

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash. At December 31, 2016, the Association did not have bank deposits which exceeded federally-insured limits.



**SOUTH WIND VILLAS HOME OWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

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**NOTE C- PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2016:

Furniture and fixtures	\$ 2,903
Less accumulated depreciation	<u>1,898</u>
	<u><u>\$ 1,005</u></u>

Depreciation expense was \$670 in 2016.

**NOTE D – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Board of Directors has also not developed a plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to borrow funds, increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

## **SUPPLEMENTARY INFORMATION**

**SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION**  
**PROPOSED BUDGET FOR 2017**  
For the Year Ended December 31, 2016

	<u>Operating</u>
REVENUES	
Dues	<u>\$ 365,874</u>
TOTAL REVENUES	<u>365,874</u>
EXPENSES	
Accounting	2,500
Common area repair and maintenance	5,000
Dumpster rental	4,000
Garbage	6,000
Grounds maintenance	35,000
Insurance	45,000
Legal fees	1,500
Management fees	20,000
Office expense	1,500
Pest control	7,500
Plumbing and electrical repairs	35,000
Pool maintenance	6,000
Taxes and licenses	320
Telephone	100
Utilities	15,000
Water and sewer	65,000
TOTAL EXPENSES	<u>249,420</u>
EXCESS REVENUES OVER EXPENSES BEFORE TRANSFER TO INVESTMENT ACCOUNT	116,454
TRANSFER TO INVESTMENT ACCOUNT	<u>(32,160)</u>
EXCESS REVENUES OVER EXPENSES	<u><u>\$ 84,294</u></u>