FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2012



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

Cannon & Company, S. L. F.

We have compiled the accompanying balance sheet of South Wind Villas Homeowners Association as of December 31, 2012, and the related statements of revenues and expenses and changes in fund balances and cash flows for the year then ended, and the accompanying supplementary information containing the 2013 proposed budget which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary schedules.

March 5, 2013

BALANCE SHEET December 31, 2012

ASSETS	Operating	Replacement	Equipment	Total
CURRENT ASSETS Cash Accounts receivable, homeowners Due from operating fund Prepaid insurance	\$ 4,207 12,255 2,890	\$ - - 2,764	\$ - - 514 -	\$ 4,207 12,255 3,278 2,890
TOTAL CURRENT ASSETS	19,352	2,764	514	22,630
Property and equipment (net of accumulated depreciation of \$763) TOTAL ASSETS	\$ 19,399	\$ 2,764	\$ 514	\$ 22,677
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES Accounts payable Due to replacement fund Due to equipment fund	\$ 4,340 2,764 514	\$ - - -	\$ - - -	\$ 4,340 2,764 514
TOTAL CURRENT LIABILITIES	7,618			7,618
FUND BALANCES	11,781	2,764	514	15,059
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,399	\$ 2,764	\$ 514	\$ 22,677

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES For the Year Ended December 31, 2012

TOTAL REVENUES		Operating	Replacement	Equipment	Total
TOTAL REVENUES 213,828 - 213,828	REVENUES				
EXPENSES Accounting	Dues	\$ 213,828	\$ -	\$ -	\$ 213,828
Accounting 2,219 -	TOTAL REVENUES	213,828			213,828
Bank fees 1,610 - - 1,610 Bond 626 - - 626 Common area repair 9,621 - - 9,621 Computer 310 - - 310 Contributions 175 - - 175 Depreciation 93 - - 93 Garbage 8,255 - - 8,255 Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 3,290 Insurance 34,375 - - 3,290 Insurance 10,271 - 10,271 - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 5,738 Security	EXPENSES				
Bond 626 - - 626 Common area repair 9,621 - - 9,621 Computer 310 - - 310 Contributions 175 - - 175 Depreciation 93 - - 93 Garbage 8,255 - - 8,255 Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,690	Accounting	2,219	-	-	2,219
Common area repair 9,621 - - 9,621 Computer 310 - - 310 Contributions 175 - - 175 Depreciation 93 - - 93 Garbage 8,255 - - 8,255 Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 Supplies 1,690 -	Bank fees	1,610	-	_	1,610
Computer 310 - - 310 Contributions 175 - 175 Depreciation 93 - 93 Garbage 8,255 - - 8,255 Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 -	Bond	626	-	-	626
Contributions 175 - - 175 Depreciation 93 - - 93 Garbage 8,255 - - 8,255 Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - - 10,271 Management fees 15,625 - - 10,271 Management fees 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,335 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses	Common area repair	9,621	-	-	9,621
Depreciation 93 - - 93 Garbage 8,255 - - 8,255 Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - - 10,271 Management fees 15,625 - - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,690 - - 1,690 Taxes and licenses 345 - - 412	Computer	310	-	-	310
Garbage 8,255 - - 8,255 Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Text service	Contributions	175	-	-	175
Grounds maintenance 29,885 - - 29,885 Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,843 Water and sewer<	Depreciation	93	-	_	93
Gutter cleaning/repair 3,290 - - 3,290 Insurance 34,375 - - 34,375 Legal fees 10,271 - - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 61,241 TOTAL EXPENSES	Garbage	8,255	-	_	8,255
Insurance	Grounds maintenance	29,885	-	_	29,885
Legal fees 10,271 - - 10,271 Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 - 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 225,095 EXCESS REVENUES OVER (UNDER) - - - (11,267) OTHER INCOME (EXPENSE) - - - - - - - -	Gutter cleaning/repair	3,290	-	-	3,290
Management fees 15,625 - - 15,625 Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 - 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 225,095 EXCESS REVENUES OVER (UNDER) - - - (11,267) OTHER INCOME (EXPENSE) - - - - 6 Interest 6 - - - 6	Insurance	34,375	-	_	34,375
Office expense 2,021 - - 2,021 Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) - - - (11,267) OTHER INCOME (EXPENSE) - - - 6 Interest <td>Legal fees</td> <td>10,271</td> <td>-</td> <td>_</td> <td>10,271</td>	Legal fees	10,271	-	_	10,271
Pest control 8,745 - - 8,745 Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) (11,267) - - (11,267) OTHER INCOME (EXPENSE) Interest 6 - - 6	Management fees	15,625	-	_	15,625
Plumbing repairs 5,325 - - 5,325 Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) EXPENSES BEFORE OTHER INCOME (11,267) - - - (11,267) OTHER INCOME (EXPENSE) Interest 6 - - 6 - - 6	Office expense	2,021	-	_	2,021
Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) (11,267) - - (11,267) OTHER INCOME (EXPENSE) 6 - - 6 Interest 6 - - 6	Pest control	8,745	-	_	8,745
Pool maintenance 5,738 - - 5,738 Security 6,180 - - 6,180 Settlement to owner 1,200 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) (11,267) - - (11,267) OTHER INCOME (EXPENSE) 6 - - 6 Interest 6 - - 6	Plumbing repairs	5,325	-	_	5,325
Settlement to owner 1,200 1,200 Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) (11,267) - - (11,267) OTHER INCOME (EXPENSE) (11,267) - - 6 Interest 6 - - 6		5,738	-	_	5,738
Supplies 1,690 - - 1,690 Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) (11,267) - - (11,267) OTHER INCOME (EXPENSE) (11,267) - - 6 Interest 6 - - - 6	Security	6,180	-	_	6,180
Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) (11,267) - - (11,267) OTHER INCOME (EXPENSE) (11,267) - - 6 - - 6 Interest 6 - - 6 - - 6	Settlement to owner	1,200			1,200
Taxes and licenses 345 - - 345 Telephone 412 - - 412 Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) (11,267) - - (11,267) OTHER INCOME (EXPENSE) (11,267) - - 6 - - 6 Interest 6 - - 6 - - 6	Supplies	1,690	-	_	1,690
Tree service 1,000 - - 1,000 Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) EXPENSES BEFORE OTHER INCOME (11,267) - - - (11,267) OTHER INCOME (EXPENSE) Interest 6 - - 6		345	-	-	345
Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) EXPENSES BEFORE OTHER INCOME (11,267) - - - (11,267) OTHER INCOME (EXPENSE) Interest 6 - - 6	Telephone	412	-	_	412
Utilities 14,843 - - 14,843 Water and sewer 61,241 - - 61,241 TOTAL EXPENSES 225,095 - - 225,095 EXCESS REVENUES OVER (UNDER) EXPENSES BEFORE OTHER INCOME (11,267) - - - (11,267) OTHER INCOME (EXPENSE) Interest 6 - - 6	Tree service	1,000	-	_	1,000
TOTAL EXPENSES 225,095 225,095 EXCESS REVENUES OVER (UNDER) EXPENSES BEFORE OTHER INCOME (11,267) (11,267) OTHER INCOME (EXPENSE) Interest 6 6		14,843	-	_	14,843
EXCESS REVENUES OVER (UNDER) EXPENSES BEFORE OTHER INCOME (11,267) (11,267) OTHER INCOME (EXPENSE) Interest 6 6	Water and sewer	61,241			61,241
EXPENSES BEFORE OTHER INCOME (11,267) - - (11,267) OTHER INCOME (EXPENSE) 6 - - 6 Interest 6 - - 6	TOTAL EXPENSES	225,095	_	-	225,095
EXPENSES BEFORE OTHER INCOME (11,267) - - (11,267) OTHER INCOME (EXPENSE) 6 - - 6 Interest 6 - - 6	EXCESS REVENUES OVER (UNDER)	_	_	_	_
Interest 6 6		(11,267)			(11,267)
Interest 6 6	OTHER INCOME (EXPENSE)				
	,	6	-	-	6
				-	

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES For the Year Ended December 31, 2012

	Operating	Replacement	Equipment	Total
EXCESS REVENUES OVER (UNDER) EXPENSES	(11,261)	-	-	(11,261)
BEGINNING FUND BALANCES	23,042	2,764	514	26,320
ENDING FUND BALANCES	\$ 11,781	\$ 2,764	\$ 514	\$ 15,059

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES Decrease in Fund Balance	\$ (11,261)
Adjustments to reconcile increase in fund balance	
to net cash provided by operating activities:	
Depreciation	93
Changes in:	
Accounts receivable	(4,983)
Prepaid insurance	579
Accounts payable	4,340
NET CASH USED BY	
OPERATING ACTIVITIES	(11,232)
OI EMITING ACTIVITIES	(11,232)
NET DECREASE IN CASH	(11,232)
CASH AT BEGINNING OF YEAR	 15,439
CASH AT END OF YEAR	\$ 4,207

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – 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.

Use of 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.

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.

Cash and Cash Equivalents

The Association considers highly liquid investments with an original 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

NOTES TO FINANCIAL STATEMENTS December 31, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

<u>Income Taxes</u>

Homeowners associations may elect to be taxed as regular corporations or as homeowners associations. For the year ended December 31, 2012, the Association has elected to be taxed as a homeowners association.

Subsequent Events

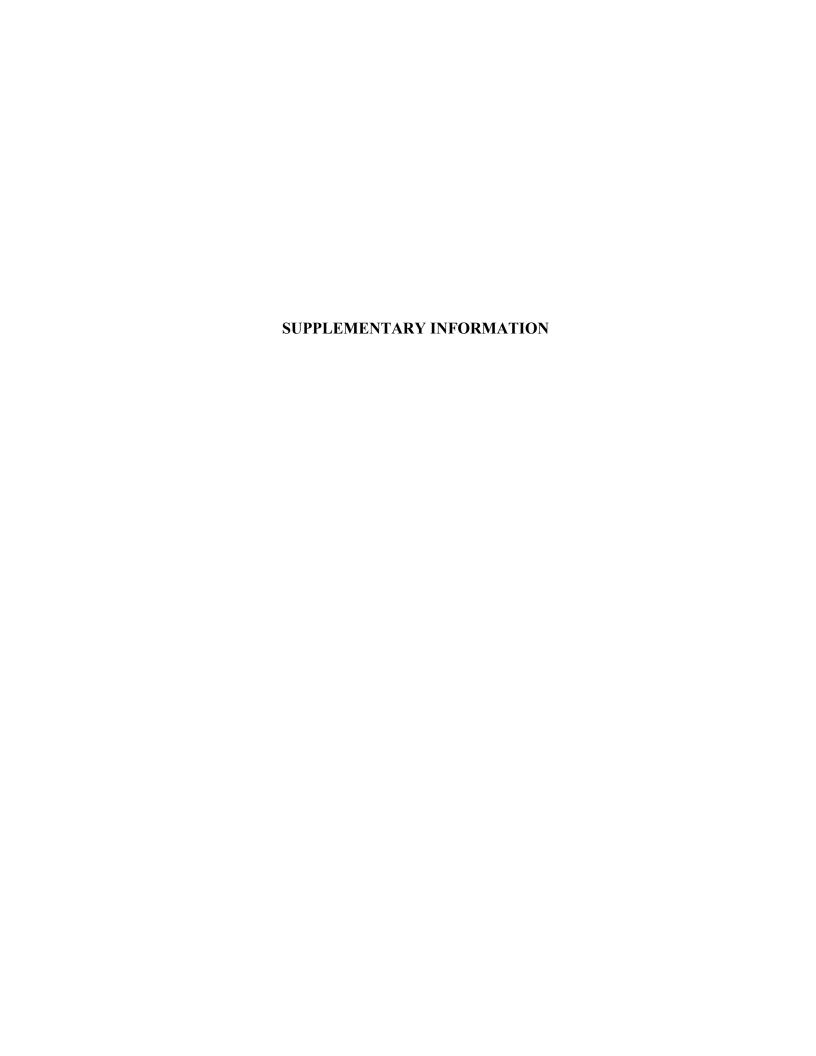
Management has evaluated subsequent events through March 5, 2013, the date the financial statements were available to be issued.

NOTE B – 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.

NOTE C – LITIGATION MATTERS

The Association paid \$500 as a settlement in a no-fault case to a homeowner in 2012 for litigation against the homeowner's association. At December 31, 2012, the Association owed \$700 to the homeowner which will be paid in 2013. The Association also paid \$10,000 in attorney fees in 2012.



PROPOSED BUDGET FOR 2013

For the Year Ended December 31, 2012

		Operating	
REVENUES			
Dues		\$	245,462
	TOTAL REVENUES		245,462
EXPENSES			
Accounting			2,250
Common area repair and maintenance			25,000
Electric			16,000
Grounds maintenance			32,400
Insurance			35,500
Management fees			14,100
Office			1,000
Pest control			8,745
Plumbing and electrical repairs			6,000
Pool maintenance			5,341
Property Taxes			350
Telephone			450
Water and sewer			57,102
Trash collection			5,400
Security			6,180
	TOTAL EXPENSES		215,818
EXCESS REVENUES OVER EXPENSES			
BEFORE TRANSFER TO INVESTMENT			
ACCOUNT			29,644
TRANSFER TO INVESTMENT ACCOUNT			(15,000)
EXCESS REVENUES OVER EXPENSES		\$	14,644