FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2013



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

We have compiled the accompanying balance sheet of South Wind Villas Homeowners Association as of December 31, 2013, 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 2014 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.

Camon & Confort Z. Z.P.

July 15, 2014

BALANCE SHEET

December 31, 2013

| ASSETS  | Operating                | Replacement     | Equipment             | Total                        |
|---|--------------------------|-----------------|-----------------------|------------------------------|
| CURRENT ASSETS<br>Cash<br>Accounts receivable, homeowners<br>Due from operating fund<br>Prepaid insurance | \$ 17,535<br>18,381<br>- | \$<br>2,764<br> | \$ -<br>-<br>514<br>- | \$ 17,535<br>18,381<br>3,278 |
| TOTAL CURRENT ASSETS  | 35,916                   | 2,764           | 514                   | 39,194                       |
| Property and equipment (net of<br>accumulated depreciation of \$809)<br>TOTAL ASSETS                      | \$ 35,916                | <u> </u>        | <u>-</u><br>\$ 514    | <u>-</u><br>\$ 39,194        |
| LIABILITIES AND FUND BALANCES   | ÷ 20,910                 | <u> </u>        |                       | <u> </u>                     |
| CURRENT LIABILITIES<br>Accounts payable<br>Due to replacement fund<br>Due to equipment fund               | \$ -<br>2,764<br>514     | \$ -<br>-<br>-  | \$ -<br>-<br>-        | \$ -<br>2,764<br>514         |
| TOTAL CURRENT LIABILITIES   | 3,278                    |                 |                       | 3,278                        |
| FUND BALANCES   | 32,638                   | 2,764           | 514                   | 35,916                       |
| TOTAL LIABILITIES AND<br>FUND BALANCES  | \$ 35,916                | \$ 2,764        | \$ 514                | \$ 39,194                    |

### STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES For the Year Ended December 31, 2013

|                                 | Operating  | Replacement | Equipment | Total      |
|---------------------------------|------------|-------------|-----------|------------|
| REVENUES                        |            |             |           |            |
| Dues                            | \$ 249,674 | \$ -        | \$ -      | \$ 249,674 |
| TOTAL REVENUES                  | 249,674    |             |           | 249,674    |
| EXPENSES                        |            |             |           |            |
| Accounting                      | 2,400      | -           | -         | 2,400      |
| Bank fees                       | 780        | -           | -         | 780        |
| Common area repair              | 2,510      | -           | -         | 2,510      |
| Computer                        | 444        | -           | -         | 444        |
| Depreciation                    | 47         | -           | -         | 47         |
| Garbage                         | 7,875      | -           | -         | 7,875      |
| Grounds maintenance             | 32,688     | -           | -         | 32,688     |
| Gutter cleaning/repair          | 11,942     | -           | -         | 11,942     |
| Insurance                       | 36,270     | -           | -         | 36,270     |
| Legal fees                      | 2,475      | -           | -         | 2,475      |
| Management fees                 | 14,690     | -           | -         | 14,690     |
| Office expense                  | 1,349      | -           | -         | 1,349      |
| Pest control                    | 9,250      | -           | -         | 9,250      |
| Plumbing and electrical repairs | 10,655     | -           | -         | 10,655     |
| Pool maintenance                | 6,245      | -           | -         | 6,245      |
| Roofing repairs                 | 1,550      | -           | -         | 1,550      |
| Security                        | 6,180      | -           | -         | 6,180      |
| Settlement to owner             | 700        | -           | -         | 700        |
| Supplies                        | 1,005      | -           | -         | 1,005      |
| Taxes and licenses              | 300        | -           | -         | 300        |
| Telephone                       | 626        | -           | -         | 626        |
| Tree service                    | 1,675      | -           | -         | 1,675      |
| Utilities                       | 14,777     | -           | -         | 14,777     |
| Water and sewer                 | 62,384     | -           | -         | 62,384     |
| TOTAL EXPENSES                  | 228,817    |             | -         | 228,817    |
| EXCESS REVENUES OVER (UNDER)    |            |             |           |            |
| EXPENSES BEFORE OTHER INCOME    | 20,857     |             |           | 20,857     |
| OTHER INCOME (EXPENSE)          | _          | _           | _         | _          |
| Interest                        | -          | -           | -         | -          |
|                                 |            |             |           |            |
|                                 |            |             |           |            |

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES For the Year Ended December 31, 2013

|  | Operating | Replacement | Equipment | Total     |
|--|-----------|-------------|-----------|-----------|
| EXCESS REVENUES OVER (UNDER)<br>EXPENSES | 20,857    | -           | -         | 20,857    |
| BEGINNING FUND BALANCES                  | 11,780    | 2,764       | 514       | 15,059    |
| ENDING FUND BALANCES                     | \$ 32,638 | \$ 2,764    | \$ 514    | \$ 35,916 |

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

| CASH FLOWS FROM OPERATING ACTIVITIES<br>Decrease in Fund Balance | \$<br>20,857 |
|--|--------------|
| Adjustments to reconcile increase in fund balance                |              |
| to net cash provided by operating activities:                    |              |
| Depreciation   | 47           |
| Changes in:  |              |
| Accounts receivable  | (6,126)      |
| Prepaid insurance  | 2,890        |
| Accounts payable   | (4,340)      |
|  |              |
| NET CASH PROVIDED BY   |              |
| OPERATING ACTIVITIES   | 13,328       |
|  |              |
| NET INCREASE IN CASH   | 13,328       |
|  |              |
| CASH AT BEGINNING OF YEAR  | 4,207        |
|  |              |
| CASH AT END OF YEAR  | \$<br>17,535 |

### 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.

### **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.

#### Income Taxes

Homeowners associations may elect to be taxed as regular corporations or as homeowners associations. For the year ended December 31, 2013, 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. Though the Association has not been notified of any pending audits, all tax years ending after December 31, 2010 are still subject to examination by taxing authorities.

#### Subsequent Events

Management has evaluated subsequent events through July 15, 2014, 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 was paid in 2013. The Association also paid \$2,475 in attorney fees in 2013.

SUPPLEMENTARY INFORMATION

PROPOSED BUDGET FOR 2014

For the Year Ended December 31, 2014

|  |                | Operating |          |
|--|----------------|-----------|----------|
| REVENUES                                 |                |           |          |
| Dues                                     |                | \$        | 246,638  |
|  | TOTAL REVENUES |           | 246,638  |
| EXPENSES                                 |                |           |          |
| Accounting                               |                |           | 2,500    |
| Common area repair and maintenance       |                |           | 20,000   |
| Dumpster rental                          |                |           | 2,192    |
| Electric                                 |                |           | 15,000   |
| Grounds maintenance                      |                |           | 35,000   |
| Insurance                                |                |           | 38,270   |
| Legal and professional fees              |                |           | 1,000    |
| Management fees                          |                |           | 14,100   |
| Office                                   |                |           | 500      |
| Pest control                             |                |           | 8,400    |
| Plumbing and electrical repairs          |                |           | 12,000   |
| Pool maintenance                         |                |           | 4,700    |
| Property Taxes                           |                |           | 325      |
| Telephone                                |                |           | 450      |
| Water and sewer                          |                |           | 52,503   |
| Trash collection                         |                |           | 5,400    |
| Security                                 |                |           | 6,180    |
|  | TOTAL EXPENSES |           | 218,520  |
| EXCESS REVENUES OVER EXPENSES            |                |           |          |
| BEFORE TRANSFER TO INVESTMENT<br>ACCOUNT |                |           | 28,118   |
| TRANSFER TO INVESTMENT ACCOUNT           |                |           | (18,000) |
| EXCESS REVENUES OVER EXPENSES            |                | \$        | 10,118   |