

**SOUTH WIND VILLAS HOMEOWNERS
ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2014



cannon&company
Certified Public Accountants L.L.P.

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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, 2014, 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 2015 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.

Cannon & Company, L.L.P.

March 8, 2015

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
BALANCE SHEET
December 31, 2014

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 8,757	\$ -	\$ -	\$ 8,757
Accounts receivable, homeowners	28,517	-	-	28,517
Due from operating fund		2,764	514	3,278
Prepaid insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>37,274</u>	<u>2,764</u>	<u>514</u>	<u>40,552</u>
Property and equipment (net of accumulated depreciation of \$809)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 37,274</u></u>	<u><u>\$ 2,764</u></u>	<u><u>\$ 514</u></u>	<u><u>\$ 40,552</u></u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
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	<u>3,278</u>	<u>-</u>	<u>-</u>	<u>3,278</u>
FUND BALANCES	<u>33,996</u>	<u>2,764</u>	<u>514</u>	<u>37,274</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 37,274</u></u>	<u><u>\$ 2,764</u></u>	<u><u>\$ 514</u></u>	<u><u>\$ 40,552</u></u>

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

For the Year Ended December 31, 2014

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
REVENUES				
Dues	243,389	\$ -	\$ -	\$ 243,389
Loss on uncollected fees	<u>(8,203)</u>			<u>(8,203)</u>
TOTAL REVENUES	<u>235,186</u>	<u>-</u>	<u>-</u>	<u>235,186</u>
EXPENSES				
Accounting	2,400	-	-	2,400
Bank fees	760	-	-	760
Common area repair	2,153	-	-	2,153
Computer	277	-	-	277
Garbage	3,826	-	-	3,826
Grounds maintenance	31,042	-	-	31,042
Gutter cleaning/repair	5,812	-	-	5,812
Insurance	34,450	-	-	34,450
Legal fees	495	-	-	495
Management fees	14,314	-	-	14,314
Office expense	1,502	-	-	1,502
Pest control	8,400	-	-	8,400
Plumbing and electrical repairs	20,619	-	-	20,619
Pool maintenance	6,749	-	-	6,749
Roofing repairs	2,615	-	-	2,615
Security	8,143	-	-	8,143
Supplies	1,660	-	-	1,660
Taxes and licenses	411	-	-	411
Telephone	448	-	-	448
Tree service	6,250	-	-	6,250
Utilities	15,170	-	-	15,170
Water and sewer	<u>66,342</u>	<u>-</u>	<u>-</u>	<u>66,342</u>
TOTAL EXPENSES	<u>233,838</u>	<u>-</u>	<u>-</u>	<u>233,838</u>
EXCESS REVENUES OVER (UNDER) EXPENSES BEFORE OTHER INCOME	<u>1,348</u>	<u>-</u>	<u>-</u>	<u>1,348</u>
OTHER INCOME (EXPENSE)				
Interest	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>

See accompanying notes and independent accountants' report.

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

For the Year Ended December 31, 2014

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	1,358	-	-	1,358
BEGINNING FUND BALANCES	<u>35,916</u>	<u>2,764</u>	<u>514</u>	<u>39,194</u>
ENDING FUND BALANCES	<u>\$ 37,274</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 40,552</u>

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Fund Balance \$ 1,358

Adjustments to reconcile increase in fund balance
to net cash provided by operating activities:

Changes in:

Accounts receivable (10,136)

NET CASH USED BY
OPERATING ACTIVITIES (8,778)

NET DECREASE IN CASH (8,778)

CASH AT BEGINNING OF YEAR 17,535

CASH AT END OF YEAR \$ 8,757

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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.

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014, 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, 2011 are still subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through March 8, 2015, 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.

SUPPLEMENTARY INFORMATION

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
PROPOSED BUDGET FOR 2015
For the Year Ended December 31, 2015

	<u>Operating</u>
REVENUES	
Dues	<u>\$ 275,606</u>
TOTAL REVENUES	<u>275,606</u>
EXPENSES	
Accounting	2,400
Common area repair and maintenance	5,000
Dumpster rental	2,500
Electric	16,000
Grounds maintenance	38,000
Insurance	36,000
Legal and professional fees	1,000
Management fees	14,100
Office	1,000
Pest control	8,400
Plumbing and electrical repairs	20,000
Pool maintenance	5,500
Property Taxes	305
Telephone	450
Water and sewer	63,000
Trash collection	6,800
Security	6,180
TOTAL EXPENSES	<u>226,635</u>
EXCESS REVENUES OVER EXPENSES BEFORE TRANSFER TO INVESTMENT ACCOUNT	48,971
TRANSFER TO INVESTMENT ACCOUNT	<u>(17,000)</u>
EXCESS REVENUES OVER EXPENSES	<u><u>\$ 31,971</u></u>