

**SOUTH WIND VILLAS HOMEOWNERS
ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2015



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 statement of financial position as of December 31, 2015, and the related statements of activities 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.

Cannon & Company, P.C.

May 24, 2016

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
BALANCE SHEET
December 31, 2015

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 30,229	\$ -	\$ -	\$ 30,229
Accounts receivable, homeowners	38,854	-	-	38,854
Due from operating fund		2,764	514	3,278
TOTAL CURRENT ASSETS	<u>69,083</u>	<u>2,764</u>	<u>514</u>	<u>72,361</u>
Property and equipment (net of accumulated depreciation of \$1,228)	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>1,675</u>
TOTAL ASSETS	<u>\$ 70,758</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 74,036</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	<u>3,278</u>	<u>-</u>	<u>-</u>	<u>3,278</u>
FUND BALANCES	<u>67,480</u>	<u>2,764</u>	<u>514</u>	<u>70,758</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 70,758</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 74,036</u>

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

For the Year Ended December 31, 2015

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
REVENUES				
Dues	\$ 274,937	\$ -	\$ -	\$ 274,937
Loss on uncollected fees	<u>(16,472)</u>			<u>(16,472)</u>
TOTAL REVENUES	<u>258,465</u>	<u>-</u>	<u>-</u>	<u>258,465</u>
EXPENSES				
Accounting	2,309	-	-	2,309
Bank fees	620	-	-	620
Common area repair	3,945	-	-	3,945
Computer	234	-	-	234
Depreciation	419	-	-	419
Garbage	8,138	-	-	8,138
Grounds maintenance	31,200	-	-	31,200
Gutter cleaning/repair	4,415	-	-	4,415
Insurance	40,369	-	-	40,369
Legal fees	555	-	-	555
Management fees	15,307	-	-	15,307
Miscellaneous expenses	1,485	-	-	1,485
Office expense	2,042	-	-	2,042
Pest control	3,500	-	-	3,500
Plumbing and electrical repairs	27,915	-	-	27,915
Pool maintenance	6,734	-	-	6,734
Roofing repairs	1,450	-	-	1,450
Security	1,030	-	-	1,030
Settlement to owner	909	-	-	909
Supplies	3,281	-	-	3,281
Taxes and licenses	320	-	-	320
Telephone	215	-	-	215
Utilities	14,845	-	-	14,845
Water and sewer	<u>53,748</u>	<u>-</u>	<u>-</u>	<u>53,748</u>
TOTAL EXPENSES	<u>224,985</u>	<u>-</u>	<u>-</u>	<u>224,985</u>
EXCESS REVENUES OVER EXPENSES BEFORE OTHER INCOME	<u>33,480</u>	<u>-</u>	<u>-</u>	<u>33,480</u>
OTHER INCOME				
Interest	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</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, 2015

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
EXCESS REVENUES OVER EXPENSES	33,484	-	-	33,484
BEGINNING FUND BALANCES	<u>33,996</u>	<u>2,764</u>	<u>514</u>	<u>37,274</u>
ENDING FUND BALANCES	<u>\$ 67,480</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 70,758</u>

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Fund Balance	\$ 33,484
Adjustments to reconcile increase in fund balance to net cash provided by operating activities:	
Depreciation expense	419
Changes in:	
Accounts receivable	<u>(10,337)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>23,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>(2,094)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(2,094)</u>
NET INCREASE IN CASH	21,472
CASH AT BEGINNING OF YEAR	<u>8,757</u>
CASH AT END OF YEAR	<u><u>\$ 30,229</u></u>

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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.

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

For purposes of reporting cash flows, the Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2015, the Association did not have bank deposits which exceeded federally-insured limits.

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, 2015

NOTE A – 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, 2015, 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, 2012 are still subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through May 24, 2016, 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.

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE C- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015:

Furniture and fixtures	\$ 2,903
Less accumulated depreciation	<u>1,228</u>
	<u><u>\$ 1,675</u></u>

Depreciation expense was \$419 in 2015.

SUPPLEMENTARY INFORMATION

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
PROPOSED BUDGET FOR 2016
For the Year Ended December 31, 2015

	<u>Operating</u>
REVENUES	
Dues	<u>\$ 279,529</u>
TOTAL REVENUES	<u>279,529</u>
EXPENSES	
Accounting	2,350
Common area repair and maintenance	5,000
Dumpster rental	2,800
Electric	15,000
Grounds maintenance	35,000
Insurance	42,000
Legal and professional fees	1,000
Management fees	15,000
Office	1,400
Pest control	5,600
Plumbing and electrical repairs	30,000
Pool maintenance	7,200
Property taxes	320
Telephone	100
Water and sewer	53,000
Trash collection	6,000
TOTAL EXPENSES	<u>221,770</u>
EXCESS REVENUES OVER EXPENSES BEFORE TRANSFER TO INVESTMENT ACCOUNT	57,759
TRANSFER TO INVESTMENT ACCOUNT	<u>(16,000)</u>
EXCESS REVENUES OVER EXPENSES	<u>\$ 41,759</u>