

**SOUTH WIND VILLAS HOMEOWNERS
ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2018



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, 2018, 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 2019" 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.

Winston-Salem, NC 27104
April 23, 2019

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
BALANCE SHEET
December 31, 2018

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 45,174	\$ -	\$ -	\$ 45,174
Accounts receivable, homeowners	113,536	-	-	113,536
Due from operating fund	<u>-</u>	<u>2,764</u>	<u>514</u>	<u>3,278</u>
TOTAL CURRENT ASSETS	158,710	2,764	514	161,988
Property and equipment (net of accumulated depreciation of \$2,541)	<u>362</u>	<u>-</u>	<u>-</u>	<u>362</u>
TOTAL ASSETS	<u>\$ 159,072</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 162,350</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>155,794</u>	<u>2,764</u>	<u>514</u>	<u>159,072</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 159,072</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 162,350</u>

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

For the Year Ended December 31, 2018

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
REVENUES				
Dues	\$ 291,410	\$ -	\$ -	\$ 291,410
Late fees	11,960	-	-	11,960
TOTAL REVENUES	<u>303,370</u>	<u>-</u>	<u>-</u>	<u>303,370</u>
EXPENSES				
Accounting	2,468	-	-	2,468
Bank fees	798	-	-	798
Common area repair and maintenance	250	-	-	250
Computer	241	-	-	241
Depreciation	241	-	-	241
Garbage	11,020	-	-	11,020
Grounds maintenance	30,010	-	-	30,010
Gutter cleaning and repair	700	-	-	700
Insurance	52,410	-	-	52,410
Legal fees	750	-	-	750
Management fees	14,406	-	-	14,406
Miscellaneous expenses	70	-	-	70
Office expense	175	-	-	175
Painting	1,346	-	-	1,346
Paving	41,016	-	-	41,016
Pest control	5,000	-	-	5,000
Plumbing and electrical repairs	41,917	-	-	41,917
Postage and delivery	600	-	-	600
Roofing repairs	5,350	-	-	5,350
Settlement to owner	886	-	-	886
Supplies	3,159	-	-	3,159
Taxes and licenses	318	-	-	318
Telephone	145	-	-	145
Tree removal	2,365	-	-	2,365
Utilities	11,403	-	-	11,403
Water and sewer	75,603	-	-	75,603
TOTAL EXPENSES	<u>302,647</u>	<u>-</u>	<u>-</u>	<u>302,647</u>
EXCESS REVENUES OVER EXPENSES BEFORE OTHER INCOME	<u>723</u>	<u>-</u>	<u>-</u>	<u>723</u>
OTHER INCOME				
Interest	<u>330</u>	<u>-</u>	<u>-</u>	<u>330</u>

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, 2018

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
EXCESS REVENUES OVER EXPENSES	1,053	-	-	1,053
BEGINNING FUND BALANCES	<u>154,741</u>	<u>2,764</u>	<u>514</u>	<u>158,019</u>
ENDING FUND BALANCES	<u>\$ 155,794</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 159,072</u>

SOUTHWIND VILLAS HOMEOWNERS ASSOCIATION**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2018

	<u>Program Expenses</u>	<u>Administrative Expenses</u>	<u>Total</u>
Accounting	\$ -	\$ 2,468	\$ 2,468
Bank fees	-	798	798
Common area repair and maintenance	250	-	250
Computer	-	241	241
Depreciation	241	-	241
Garbage	11,020	-	11,020
Grounds maintenance	30,010	-	30,010
Gutter cleaning and repair	700	-	700
Insurance	52,410	-	52,410
Legal fees	-	750	750
Management fees	7,203	7,203	14,406
Miscellaneous expenses	70	-	70
Office expense	-	175	175
Painting	1,346	-	1,346
Paving	41,016	-	41,016
Pest control	5,000	-	5,000
Plumbing and electrical repairs	41,917	-	41,917
Postage and delivery	-	600	600
Roofing repairs	5,350	-	5,350
Settlement to owner	886	-	886
Supplies	3,159	-	3,159
Taxes and licenses	-	318	318
Telephone	-	145	145
Tree removal	2,365	-	2,365
Utilities	11,403	-	11,403
Water and sewer	75,603	-	75,603
TOTAL	<u>\$ 289,949</u>	<u>\$ 12,698</u>	<u>\$ 302,647</u>

See accompanying notes and independent accountants' compilation report.

SOUTH WIND VILLAS HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in fund balance	\$ 1,053
Adjustments to reconcile increase in fund balance to net cash used by operating activities:	
Depreciation expense	241
Changes in:	
Accounts receivable	<u>(33,924)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(32,630)</u>
NET DECREASE IN CASH	(32,630)
CASH AT BEGINNING OF YEAR	<u>77,804</u>
CASH AT END OF YEAR	<u><u>\$ 45,174</u></u>

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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

Expense Allocation

The costs of providing program and support services have been summarized on a functional basis in the statements of activities and the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited on a reasonable basis that is consistently applied by management. Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of estimates made by management.

Liquidity

The Association has \$161,988 of financial assets available to meet cash needs for general expenditures within one year of the Statement of Financial Position date, as noted in the current assets section of the statement. None of the current financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date.

The Association maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

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, 2018, 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 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they are filed

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Subsequent Events

Management has evaluated subsequent events through April 23, 2019, 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, 2018, the Association did not have bank deposits which exceeded federally-insured limits.

NOTE C- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Furniture and fixtures	\$	2,903
Less accumulated depreciation		<u>2,541</u>
	\$	<u>362</u>

Depreciation expense was \$241 in 2018.

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 2019
For the Year Ended December 31, 2018

	<u>Operating</u>
REVENUES	
Dues	<u>\$ 385,089</u>
TOTAL REVENUES	<u>385,089</u>
EXPENSES	
Accounting	3,100
Common area repair and maintenance	26,000
Electric	12,000
Grounds maintenance	35,000
Insurance	58,000
Legal fees	2,000
Management fees	17,000
Office expense	2,600
Pest control	7,500
Plumbing and electrical repairs	35,000
Taxes and licenses	320
Trash collection	6,000
Water and sewer	80,000
TOTAL EXPENSES	<u>284,520</u>
EXCESS REVENUES OVER EXPENSES BEFORE TRANSFER TO INVESTMENT ACCOUNT	100,569
TRANSFER TO INVESTMENT ACCOUNT	<u>(92,105)</u>
EXCESS REVENUES OVER EXPENSES	<u><u>\$ 8,464</u></u>