

PEBBLE BEACH VILLAS, INC.

VERO BEACH, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REPORT

For Year Ended December 31, 2011

Gerald Jackson, Jr.
CERTIFIED PUBLIC ACCOUNTANT, P.A.
150 S.W. CHAMBER COURT, SUITE 202
PORT ST. LUCIE, FLORIDA 34986-3413

TELEPHONE
(772)879-3738
1(800)768-3738

JERRY@FLACONDOCPA.COM

FAX (772) 879-2801

CERTIFIED PUBLIC ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Pebble Beach Villas, Inc.


I have reviewed the accompanying balance sheet of Pebble Beach Villas, Inc. as of December 31, 2011, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements 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.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The Schedule of Expenses – Actual vs. Budget is presented only for supplementary analysis purposes. Such information (except for the budget information, which was compiled without any form of assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

The supplementary information about Future Major Repairs and Replacements of Common Property following the basic financial information is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have compiled the supplementary information from information that is the representation of management of Pebble Beach Villas, Inc. without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.



Gerald Jackson Jr., CPA
Port St Lucie, Florida
March 28, 2012

PEBBLE BEACH VILLAS, INC.

Balance Sheet

December 31, 2011

	2011			2010
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash	6,975	313,816	320,791	297,052
Assessments Receivable	2,379	0	2,379	2,824
Less: Allowance for Doubtful A/R	0	0	0	0
Prepaid Insurance	29,196	0	29,196	25,762
TOTAL ASSETS	\$ 38,550	\$ 313,816	\$ 352,366	\$ 325,638
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 1,864	\$ 0	\$ 1,864	\$ 648
Assessments Paid in Advance	5,547	0	5,547	8,824
TOTAL LIABILITIES	7,411	0	7,411	9,472
TOTAL FUND BALANCES	31,139	313,816	344,955	316,166
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,550	\$ 313,816	\$ 352,366	\$ 325,638

PEBBLE BEACH VILLAS, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2011

	2011			2010
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
MAINTENANCE ASSESSMENTS	\$ 278,267	\$ 44,833	\$ 323,100	\$ 328,259
INTEREST INCOME	0	2,477	2,477	1,421
LAUNDRY AND OTHER INCOME	3,042	0	3,042	3,342
BAD DEBT RECOVERY	0	0	0	24,661
TOTAL REVENUES	281,309	47,310	328,619	357,683
EXPENDITURES				
ADMINISTRATIVE	130,932	0	130,932	122,234
BUILDING OPERATIONS	46,209	0	46,209	47,266
GROUNDS/LANDSCAPE CARE	62,886	0	62,886	51,536
RECREATION FACILITIES	6,231	0	6,231	9,919
UTILITIES	44,281	0	44,281	46,343
OTHER	0	0	0	1,142
MAJOR REPAIRS AND REPLACEMENTS	0	9,291	9,291	13,801
TOTAL EXPENDITURES	290,539	9,291	299,830	292,241
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(9,230)	38,019	28,789	65,442
FUND BALANCES, BEGINNING OF YEAR	69,640	246,526	316,166	250,724
TRANSFERS	(29,271)	29,271	0	0
FUND BALANCES, END OF YEAR	\$ 31,139	\$ 313,816	\$ 344,955	\$ 316,166

Read Independent Accountant's Review Report

PEBBLE BEACH VILLAS, INC.
Statement of Cash Flows
For Year Ended December 31, 2011

INCREASE(DECREASE) IN CASH	2011		2010	
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 275,435	\$ 44,833	\$ 320,268	\$ 336,772
Interest Income Received	0	2,477	2,477	1,421
Other Income Received	3,042	0	3,042	28,003
Cash Payments to Vendors and Suppliers	(292,757)	(9,291)	(302,048)	(306,056)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(14,280)</u>	<u>38,019</u>	<u>23,739</u>	<u>60,140</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Interfund Transfers and Borrowings	(29,271)	29,271	0	0
NET CASH USED BY FINANCING ACTIVITIES	<u>(29,271)</u>	<u>29,271</u>	<u>0</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	(43,551)	67,290	23,739	60,140
CASH AT BEGINNING OF YEAR	50,526	246,526	297,052	236,912
CASH AT END OF YEAR	\$ <u>6,975</u>	\$ <u>313,816</u>	\$ <u>320,791</u>	\$ <u>297,052</u>

**RECONCILIATION OF EXCESS OF ASSESSMENTS AND REVENUES
OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

CASH FLOWS FROM OPERATING ACTIVITIES

Excess (deficit) of revenues over expenses	\$ (9,230)	\$ 38,019	\$ 28,789	\$ 65,442
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	445	0	445	10,867
Allowance for Doubtful A/R	0	0	0	(12,160)
Prepaid Expenses	(3,434)	0	(3,434)	(1,099)
Increase (Decrease) in:				
Accounts Payable	1,216	0	1,216	(556)
Assessments Received in Advance	(3,277)	0	(3,277)	(2,354)
NET CASH PROVIDED (USED) BY OPERATING ACTIVIT	\$ <u>(14,280)</u>	\$ <u>38,019</u>	\$ <u>23,739</u>	\$ <u>60,140</u>

PEBBLE BEACH VILLAS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND PURPOSE

Pebble Beach Villas Condominium Association, Inc. was organized as a Florida not-for-profit corporation on March 10, 1975. The Association has been organized for the purpose of operating and maintaining the common property of the Association; to enforce the covenants, conditions, restrictions, and other provisions pursuant to Chapter 718 of the Florida Statutes, and as set forth in Declaration of Condominium, the Articles of Incorporation, the By-Laws, and rules and regulations of the Association. The Association consists of a total of 72 units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements have been prepared pursuant to Section 718 of the Florida Statutes. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. Personal property and equipment acquired by the Association are recorded as operating fund expenses in the year incurred.

Accounting Estimates

The preparations of financial statements in conformity with accounting principles generally accepted in the United States of America 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 periods. Actual results could differ from those estimates.

Read Independent Accountant's Review Report

PEBBLE BEACH VILLAS, INC.

NOTES TO FINANCIAL STATEMENTS

Member Assessments

Association members are subject to quarterly assessments in advance, to provide funds for the Association's operating expenses and a reserve for major repairs and replacements. The annual budget and member assessments are determined and approved by the Board of Directors. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are past due.

Interest Earned

The Board's policy is to allocate interest earned on replacement fund investments to the replacement fund. The allocation to the various components is determined annually by the Board of Directors.

Income Taxes

A condominium association may elect to be taxed either as a regular corporation or as community association. For the year ended December 31, 2011, the Association has elected to be taxed as a homeowners association. The Association is taxed on its non-exempt income, such as interest income (net of allowable expenses). Exempt income, which consists primarily of member assessments, is not taxable. The Association's tax liability for 2011 was zero.

In June 2006, the Financial Accounting Standards Board prescribed a comprehensive model for how a company should measure, recognize, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The opinion was amended in 2009 to more accurately reflect the applicability to Not-For-Profit entities such as Associations. The Association has adopted this pronouncement as amended as of January 1, 2009.

Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2009, 2010, and 2011 returns. However, the Association is not currently under audit and has not been contacted that a possible audit may be initiated. Also, the Association had no uncertain tax positions as of December 31, 2011.

Subsequent Events

Management evaluated the existence of any subsequent events through March 28, 2012, the date the financial statements were available to be issued and no material items existed.

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures* (SFAS No. 157), fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability is an orderly transaction between market participants on the measurement date

Read Independent Accountant's Review Report

PEBBLE BEACH VILLAS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is required by Section 718 of the Florida Statutes to fund future major repairs and replacements. Also, the Association's governing documents require funds be accumulated for future major repairs and replacements

The Board is funding for such major repairs and replacements over the estimated useful lives of the components based on the Board of Directors update of current replacement costs, considering amount previously accumulated in the replacement fund. Actual expenditures may vary from the estimated future amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacement. If additional funds are needed, however, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Expenditures during the current fiscal year, along with the beginning and closing balances by the various components:

RESERVES Component	<u>SCHEDULE OF RESTRICTED FUNDS</u>					Ending Balance
	Beginning Balance	Current Year Funding	<u>Current Year</u>		Transfers	
			Interest	Expended		
Building	31,525	4,893	288	(2,061)	0	34,645
Recreation	1,329	9,734	117	(6,030)	14,700	19,850
Painting	85,356	14,700	793	0	0	100,849
Paving	14,443	5,029	175	(1,200)	4,571	23,018
Roofing	113,873	10,477	1,104	0	10,000	135,454
Total Reserve	246,526	44,833	2,477	(9,291)	29,271	313,816

- For the current year, all required reserves were fully funded.
- Reserve interest is allocated to all reserve categories based on each category balance.

Read Independent Accountant's Review Report

SUPPLEMENTARY INFORMATION

PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2011

	2010		2011		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	<u>%</u> <u>Variance</u>
<u>REVENUES</u>					
MAINTENANCE ASSESSMENTS	285,087	278,267	278,267	0	0.0%
LAUNDRY AND OTHER INCOME	3,342	3,042	0	3,042	0.0%
BAD DEBT RECOVERY	24,661	0	0	0	0.0%
TOTAL REVENUES	313,090	281,309	278,267	3,042	1.1%
<u>EXPENSES:</u>					
ADMINISTRATION					
CPA REPORT	1,750	1,750	1,750	0	0.0%
CORPORATE/CONDO FEES	349	349	349	0	0.0%
INSURANCE	95,079	104,496	100,350	(4,146)	-4.1%
INSURANCE CERTIFICATE ADMINISTRATION	1,080	0	0	0	0.0%
LEGAL FEES	566	245	1,000	755	75.5%
MANAGEMENT FEES	19,294	19,294	19,294	0	0.0%
POSTAGE/OFFICE SUPPLIES/COPIES	2,657	3,211	2,800	(411)	-14.7%
TELEPHONE	1,459	1,587	1,380	(207)	-15.0%
Total - ADMINISTRATION	122,234	130,932	126,923	(4,009)	-3.2%
BUILDING OPERATIONS:					
BUILDING MAINTENANCE AND REPAIRS	9,795	8,919	7,000	(1,919)	-27.4%
PEST CONTROL-BUILDINGS	2,093	2,215	2,100	(115)	-5.5%
BUILDING MAINTENANCE/CLEANING LABOR	35,378	35,075	35,500	425	1.2%
Total - BUILDING OPERATIONS	47,266	46,209	44,600	(1,609)	-3.6%
GROUNDS/LANDSCAPE CARE:					
GROUNDS/LAWN CONTRACT	29,448	29,598	29,488	(110)	-0.4%
IRRIGATION REPAIRS	2,383	2,243	2,200	(43)	-2.0%
IRRIGATION WATER	7,908	11,760	8,500	(3,260)	-38.4%
PLANT REPLACEMENT AND MULCH	5,554	8,155	3,500	(4,655)	-133.0%
SPRAYING AND FERTILIZING	3,591	4,397	3,600	(797)	-22.1%
PALM TRIMMING AND PRUNING	2,652	6,733	3,500	(3,233)	-92.4%
Total - GROUNDS/LANDSCAPE CARE:	51,536	62,886	50,788	(12,098)	-23.8%
RECREATION FACILITIES:					
CLUBHOUSE REPAIRS	3,192	799	3,000	2,201	73.4%
POOL SUPPLIES AND REPAIRS	3,372	2,338	3,400	1,062	31.2%
POOL HEATING - LP GAS	3,355	3,094	3,500	406	11.6%
TENNIS COURT REPAIRS	0	0	200	200	100.0%
Total - RECREATION FACILITIES	9,919	6,231	10,100	3,869	38.3%

PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2011

	<u>2010</u>	<u>2011</u>			
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	<u>%</u> <u>Variance</u>
<u>EXPENSES (continued):</u>					
UTILITIES:					
ELECTRICITY	6,216	5,119	7,000	1,881	26.9%
TRASH REMOVAL	4,504	4,842	4,641	(201)	-4.3%
WATER AND SEWER	35,623	34,320	36,000	1,680	4.7%
Total · UTILITIES	<u>46,343</u>	<u>44,281</u>	<u>47,641</u>	<u>3,360</u>	<u>7.1%</u>
OTHER:					
CONTINGENCY	0	0	2,000	2,000	100.0%
BAD DEBT EXPENSE	1,142	0	0	0	0.0%
Total · OTHER	<u>1,142</u>	<u>0</u>	<u>2,000</u>	<u>2,000</u>	<u>100.0%</u>
TOTAL EXPENSES	<u>278,440</u>	<u>290,539</u>	<u>282,052</u>	<u>(8,487)</u>	<u>-3.0%</u>
NET SURPLUS (DEFICIT)	<u>34,650</u>	<u>(9,230)</u>	<u>(3,785)</u>	<u>(5,445)</u>	

PEBBLE BEACH VILLAS ,INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
For December 31, 2011

The Board of Directors conducted a study in 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from various sources; such as licensed contractors who inspected the property, invoices from the recent acquisition of replacement of certain common property, and telephone inquiries of licensed contractors for estimated costs to replace.

Estimated Useful Life in

<u>Component</u>	<u>Estimated Useful Life in</u>		<u>Requirements</u>		<u>Actual</u> 2012 Funding	<u>Replacement</u> Fund Balance At 12/31/2011
	<u>Full Life</u>	<u>Years</u> <u>Remaining</u>	<u>Estimated</u> Current Replacement Cost	<u>Requirements</u>		
Roofing	20	12	\$ 250,000	\$ 9,566	\$ 9,566	\$ 135,454
Buildings	20	13	100,000	4,874	4,874	34,645
Paving	25	16	100,000	4,814	4,814	23,018
Painting	7	1	100,666	0	0	100,849
Recreation	10	4	50,000	7,546	7,546	19,850
Totals			<u>600,666</u>	<u>26,800</u>	<u>26,800</u>	<u>313,816</u>