

PEBBLE BEACH VILLAS, INC.

VERO BEACH, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REPORT

For Year Ended December 31, 2012

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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, 2012, 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 26, 2013

PEBBLE BEACH VILLAS, INC.

Balance Sheet

December 31, 2012

	December 31, 2012			12/31/11
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash	39,875	215,869	255,744	320,791
Assessments Receivable	3,019	0	3,019	2,379
Prepaid Insurance	26,304	0	26,304	29,196
TOTAL ASSETS	\$ 69,198	\$ 215,869	\$ 285,067	\$ 352,366
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 16,593	\$ 0	\$ 16,593	\$ 1,864
Assessments Paid in Advance	15,653	0	15,653	5,547
TOTAL LIABILITIES	32,246	0	32,246	7,411
TOTAL FUND BALANCES	36,952	215,869	252,821	344,955
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,198	\$ 215,869	\$ 285,067	\$ 352,366

PEBBLE BEACH VILLAS, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2012

	2012			2011
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
MAINTENANCE ASSESSMENTS	\$ 296,300	\$ 26,800	\$ 323,100	\$ 323,100
INTEREST INCOME	0	1,365	1,365	2,477
LAUNDRY AND OTHER INCOME	4,269	0	4,269	3,042
TOTAL REVENUES	300,569	28,165	328,734	328,619
<u>EXPENDITURES</u>				
ADMINISTRATIVE	134,235	0	134,235	130,932
BUILDING OPERATIONS	53,407	0	53,407	46,209
GROUNDS/LANDSCAPE CARE	55,605	0	55,605	62,886
RECREATION FACILITIES	3,542	0	3,542	6,231
UTILITIES	44,033	0	44,033	44,281
OTHER	3,934	0	3,934	0
MAJOR REPAIRS AND REPLACEMENTS	0	126,112	126,112	9,291
TOTAL EXPENDITURES	294,756	126,112	420,868	299,830
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	5,813	(97,947)	(92,134)	28,789
FUND BALANCES, BEGINNING OF YEAR	31,139	313,816	344,955	316,166
TRANSFERS	0	0	0	0
FUND BALANCES, END OF YEAR	\$ 36,952	\$ 215,869	\$ 252,821	\$ 344,955

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PEBBLE BEACH VILLAS, INC.
Statement of Cash Flows
For Year Ended December 31, 2012

INCREASE(DECREASE) IN CASH	2012			2011
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 274,460	\$ 26,800	\$ 301,260	\$ 320,268
Interest Income Received	0	1,365	1,365	2,477
Other Income Received	4,269	0	4,269	3,042
Cash Payments to Vendors and Suppliers	(245,829)	(126,112)	(371,941)	(302,048)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>32,900</u>	<u>(97,947)</u>	<u>(65,047)</u>	<u>23,739</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Interfund Transfers and Borrowings	0	0	0	0
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	32,900	(97,947)	(65,047)	23,739
CASH AT BEGINNING OF YEAR	6,975	313,816	320,791	297,052
CASH AT END OF YEAR	<u>\$ 39,875</u>	<u>\$ 215,869</u>	<u>\$ 255,744</u>	<u>\$ 320,791</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	\$ 5,813	\$ (97,947)	\$ (92,134)	\$ 28,789
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	(640)	0	(640)	445
Prepaid Expenses	2,892	0	2,892	(3,434)
Increase (Decrease) in:				
Accounts Payable	14,729	0	14,729	(556)
Assessments Received in Advance	10,106	0	10,106	(2,354)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 32,900</u>	<u>\$ (97,947)</u>	<u>\$ (65,047)</u>	<u>\$ 22,890</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.

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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, 2012, 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 2010, 2011, and 2012 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, 2012.

Subsequent Events

Management evaluated the existence of any subsequent events through March 26, 2013, 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 of most advantageous market for the asset or liability is an orderly transaction between market participants on the measurement date

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PEBBLE BEACH VILLAS, INC.
NOTES TO FINANCIAL STATEMENTS

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2012; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2012.

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.

Current year activity by the various components:

RESERVES Component	<u>SCHEDULE OF RESTRICTED FUNDS</u>				
	<u>Beginning Balance</u>	<u>Current Year Funding</u>	<u>Current Year</u>		<u>Ending Balance</u>
			<u>Interest</u>	<u>Expended</u>	
Building	34,645	4,874	119	(33,175)	6,463
Recreation	19,850	7,546	68	(14,933)	12,531
Painting	100,849	0	430	(72,804)	28,475
Paving	23,018	4,814	116	0	27,948
Roofing	135,454	9,566	632	(5,200)	140,452
Total Reserve	<u>313,816</u>	<u>26,800</u>	<u>1,365</u>	<u>(126,112)</u>	<u>215,869</u>

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

SUPPLEMENTARY INFORMATION

PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2012

	2011		2012		
	Actual	Actual	Budget	\$ Variance	% Variance
REVENUES					
MAINTENANCE ASSESSMENTS	278,267	296,300	296,300	0	0.0%
LAUNDRY AND OTHER INCOME	3,042	4,269	0	4,269	0.0%
TOTAL REVENUES	281,309	300,569	296,300	4,269	1.4%
EXPENSES:					
ADMINISTRATION					
CPA REPORT	1,750	1,750	1,750	0	0.0%
CORPORATE/CONDO FEES	349	349	349	0	0.0%
INSURANCE	104,496	108,992	112,811	3,819	3.4%
LEGAL FEES	245	(131)	1,000	1,131	113.1%
MANAGEMENT FEES	19,294	19,294	19,294	0	0.0%
POSTAGE/OFFICE SUPPLIES/COPIES	3,211	2,411	2,200	(211)	-9.6%
TELEPHONE	1,587	1,570	1,555	(15)	-1.0%
Total · ADMINISTRATION	130,932	134,235	138,959	4,724	3.4%
BUILDING OPERATIONS:					
BUILDING MAINTENANCE AND REPAIRS	8,919	15,227	7,000	(8,227)	-117.5%
PEST CONTROL-BUILDINGS	2,215	3,005	2,302	(703)	-30.5%
BUILDING MAINTENANCE/CLEANING LABOR	35,075	35,175	35,500	325	0.9%
Total · BUILDING OPERATIONS	46,209	53,407	44,802	(8,605)	-19.2%
GROUNDS/LANDSCAPE CARE:					
GROUNDS/LAWN CONTRACT	29,598	29,448	29,448	0	0.0%
IRRIGATION REPAIRS	2,243	935	2,200	1,265	57.5%
IRRIGATION WATER	11,760	9,517	9,000	(517)	-5.7%
PLANT REPLACEMENT AND MULCH	8,155	4,726	5,000	274	5.5%
SPRAYING AND FERTILIZING	4,397	5,329	4,760	(569)	-12.0%
PALM TRIMMING AND PRUNING	6,733	5,650	5,000	(650)	-13.0%
Total · GROUNDS/LANDSCAPE CARE:	62,886	55,605	55,408	(197)	-0.4%
RECREATION FACILITIES:					
CLUBHOUSE REPAIRS	799	724	3,200	2,476	77.4%
POOL SUPPLIES AND REPAIRS	2,338	1,544	3,200	1,656	51.8%
POOL HEATING - LP GAS	3,094	1,112	3,600	2,488	69.1%
TENNIS COURT REPAIRS	0	162	200	38	19.0%
Total · RECREATION FACILITIES	6,231	3,542	10,200	6,658	65.3%

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PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2012

	2011		2012		
	<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	5,119	6,908	5,500	(1,408)	-25.6%
TRASH REMOVAL	4,842	4,238	4,800	562	11.7%
WATER AND SEWER	34,320	32,887	36,000	3,113	8.6%
Total · UTILITIES	<u>44,281</u>	<u>44,033</u>	<u>46,300</u>	<u>2,267</u>	<u>4.9%</u>
OTHER:					
CONTINGENCY	0	3,934	4,416	482	10.9%
Total · OTHER	<u>0</u>	<u>3,934</u>	<u>4,416</u>	<u>482</u>	<u>10.9%</u>
TOTAL EXPENSES	<u>290,539</u>	<u>294,756</u>	<u>300,085</u>	<u>5,329</u>	<u>1.8%</u>
NET SURPLUS (DEFICIT)	<u>(9,230)</u>	<u>5,813</u>	<u>(3,785)</u>	<u>9,598</u>	

PEBBLE BEACH VILLAS ,INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2012

The Board of Directors conducted a study in 2012 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>Full Life</u>	<u>Years Remaining</u>	<u>Requirements</u>		<u>Budgeted 2013 Funding</u>	<u>Replacement Fund Balance At 12/31/2012</u>
			<u>Estimated Current Replacement Cost</u>	<u>2013 Funding</u>		
Roofing	20	11	\$ 250,000	\$ 9,970	\$ 9,970	\$ 140,452
Buildings	20	12	100,000	7,638	7,638	6,463
Paving	25	15	100,000	5,366	5,366	27,948
Painting	7	7	80,000	7,000	7,000	28,475
Recreation	10	3	50,000	12,500	12,500	12,531
Totals			<u>580,000</u>	<u>42,474</u>	<u>42,474</u>	<u>215,869</u>