

PEBBLE BEACH VILLAS, INC.

VERO BEACH, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REPORT

For Year Ended December 31, 2013

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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, 2013, 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
April 14, 2014

PEBBLE BEACH VILLAS, INC.

Balance Sheet

December 31, 2013

	December 31, 2013			12/31/12
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>ASSETS</u>				
Cash	42,059	239,919	281,978	255,744
Assessments Receivable	860	0	860	3,019
Prepaid Insurance	29,064	0	29,064	26,304
TOTAL ASSETS	\$ 71,983	\$ 239,919	\$ 311,902	\$ 285,067
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts Payable	\$ 663	\$ 0	\$ 663	\$ 16,593
Assessments Paid in Advance	5,314	0	5,314	15,653
TOTAL LIABILITIES	5,977	0	5,977	32,246
TOTAL FUND BALANCES	66,006	239,919	305,925	252,821
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,983	\$ 239,919	\$ 311,902	\$ 285,067

PEBBLE BEACH VILLAS, INC.
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2013

	2013			2012
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
MAINTENANCE ASSESSMENTS	\$ 303,894	\$ 42,474	\$ 346,368	\$ 323,100
INTEREST INCOME	0	749	749	1,365
LAUNDRY AND OTHER INCOME	4,277	0	4,277	4,269
TOTAL REVENUES	308,171	43,223	351,394	328,734
<u>EXPENSES</u>				
ADMINISTRATIVE	143,510	0	143,510	134,235
BUILDING OPERATIONS	46,289	0	46,289	53,407
GROUNDS/LANDSCAPE CARE	48,163	0	48,163	55,605
RECREATION FACILITIES	3,411	0	3,411	3,542
UTILITIES	36,204	0	36,204	44,033
OTHER	1,540	0	1,540	3,934
MAJOR REPAIRS AND REPLACEMENTS	0	19,173	19,173	126,112
TOTAL EXPENSES	279,117	19,173	298,290	420,868
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	29,054	24,050	53,104	(92,134)
FUND BALANCES, BEGINNING OF YEAR	36,952	215,869	252,821	344,955
FUND BALANCES, END OF YEAR	\$ 66,006	\$ 239,919	\$ 305,925	\$ 252,821

Read Independent Accountant's Review Report

PEBBLE BEACH VILLAS, INC.
Statement of Cash Flows
For Year Ended December 31, 2013

INCREASE(DECREASE) IN CASH	2013			2012
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 295,714	\$ 42,474	\$ 338,188	\$ 301,260
Interest Income Received	0	749	749	1,365
Other Income Received	4,277	0	4,277	4,269
Cash Payments to Vendors and Suppliers	(297,807)	(19,173)	(316,980)	(371,941)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,184</u>	<u>24,050</u>	<u>26,234</u>	<u>(65,047)</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	2,184	24,050	26,234	(65,047)
CASH AT BEGINNING OF YEAR	39,875	215,869	255,744	320,791
CASH AT END OF YEAR	\$ <u>42,059</u>	\$ <u>239,919</u>	\$ <u>281,978</u>	\$ <u>255,744</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	\$ 29,054	\$ 24,050	\$ 53,104	\$ (92,134)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	2,159	0	2,159	(640)
Prepaid Expenses	(2,760)	0	(2,760)	2,892
Increase (Decrease) in:				
Accounts Payable	(15,930)	0	(15,930)	14,729
Assessments Received in Advance	(10,339)	0	(10,339)	10,106
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>2,184</u>	\$ <u>24,050</u>	\$ <u>26,234</u>	\$ <u>(65,047)</u>

PEBBLE BEACH VILLAS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND PURPOSE

Pebble Beach Villas, 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, 2013, 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 2011, 2012, and 2013 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, 2013.

Subsequent Events

Management evaluated the existence of any subsequent events through April 14, 2014, 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 of most advantageous market for the asset or liability.

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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, 2013; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2013.

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:

<u>SCHEDULE OF RESTRICTED FUNDS</u>					
<u>RESERVES</u> Component	<u>Beginning</u> <u>Balance</u>	<u>Current Year</u> <u>Funding</u>	<u>Current Year</u>		<u>Ending</u> <u>Balance</u>
			<u>Interest</u>	<u>Expended</u>	
Building	6,463	7,638	21	(4,100)	10,022
Recreation	12,531	12,500	62	0	25,093
Painting	28,475	7,000	108	0	35,583
Paving	27,948	5,366	79	(8,315)	25,078
Roofing	140,452	9,970	479	(6,758)	144,143
Total Reserve	215,869	42,474	749	(19,173)	239,919

- 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, 2013

	2012		2013		
	Actual	Actual	Budget	\$ Variance	% Variance
REVENUES					
MAINTENANCE ASSESSMENTS	296,300	303,894	303,894	0	0.0%
LAUNDRY AND OTHER INCOME	4,269	4,277	0	4,277	0.0%
TOTAL REVENUES	300,569	308,171	303,894	4,277	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	108,992	118,875	121,710	2,835	2.3%
LEGAL FEES	(131)	277	1,000	723	72.3%
MANAGEMENT FEES	19,294	19,294	19,294	0	0.0%
POSTAGE/OFFICE SUPPLIES/COPIES	2,411	1,881	2,200	319	14.5%
TELEPHONE	1,570	1,084	1,275	191	15.0%
Total · ADMINISTRATION	134,235	143,510	147,578	4,068	2.8%

BUILDING OPERATIONS:					
BUILDING MAINTENANCE AND REPAIRS	15,227	6,495	10,000	3,505	35.1%
PEST CONTROL-BUILDINGS	3,005	5,009	3,659	(1,350)	-36.9%
BUILDING MAINTENANCE/CLEANING LABOR	35,175	34,785	35,300	515	1.5%
Total · BUILDING OPERATIONS	53,407	46,289	48,959	2,670	5.5%

GROUNDS/LANDSCAPE CARE:					
GROUNDS/LAWN CONTRACT	29,448	29,448	29,448	0	0.0%
IRRIGATION REPAIRS	935	1,417	2,200	783	35.6%
IRRIGATION WATER	9,517	3,944	5,000	1,056	21.1%
PLANT REPLACEMENT AND MULCH	4,726	4,411	5,000	589	11.8%
SPRAYING AND FERTILIZING	5,329	5,170	4,760	(410)	-8.6%
PALM TRIMMING AND PRUNING	5,650	3,773	6,000	2,227	37.1%
Total · GROUNDS/LANDSCAPE CARE:	55,605	48,163	52,408	4,245	8.1%

RECREATION FACILITIES:					
CLUBHOUSE REPAIRS	724	0	2,500	2,500	100.0%
POOL SUPPLIES AND REPAIRS	1,544	3,326	2,750	(576)	-20.9%
POOL HEATING - LP GAS	1,112	0	0	0	0.0%
TENNIS COURT REPAIRS	162	85	200	115	57.5%
Total · RECREATION FACILITIES	3,542	3,411	5,450	2,039	37.4%

PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2013

	2012		2013		
	<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	6,908	8,253	7,600	(653)	-8.6%
TRASH REMOVAL	4,238	3,145	4,800	1,655	34.5%
WATER AND SEWER	32,887	24,806	36,000	11,194	31.1%
Total · UTILITIES	<u>44,033</u>	<u>36,204</u>	<u>48,400</u>	<u>12,196</u>	<u>25.2%</u>
OTHER:					
CONTINGENCY	3,934	1,540	4,500	2,960	65.8%
Total · OTHER	<u>3,934</u>	<u>1,540</u>	<u>4,500</u>	<u>2,960</u>	<u>65.8%</u>
TOTAL EXPENSES	<u>294,756</u>	<u>279,117</u>	<u>307,295</u>	<u>28,178</u>	<u>9.2%</u>
NET SURPLUS (DEFICIT)	<u>5,813</u>	<u>29,054</u>	<u>(3,401)</u>	<u>32,455</u>	

PEBBLE BEACH VILLAS ,INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2013

The Board of Directors conducted a study in 2013 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 2014 Funding</u>	<u>Replacement Fund Balance At 12/31/2013</u>
			<u>Estimated Current Replacement Cost</u>	<u>Full Funding</u>		
Roofing	20	10	\$ 250,000	\$ 10,601	\$ 10,601	\$ 144,143
Buildings	20	5	100,000	17,997	17,997	10,022
Paving	25	14	100,000	5,354	5,354	25,078
Painting	7	6	80,000	7,409	7,409	35,583
Recreation	10	2	25,067	0	0	25,093
Totals			<u>555,067</u>	<u>41,361</u>	<u>41,361</u>	<u>239,919</u>