

**PEBBLE BEACH VILLAS, INC.**

**VERO BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT ACCOUNTANT'S REPORT**

**For Year Ended December 31, 2015**

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

## **Independent Accountant's Review Report**

Board of Directors  
Pebble Beach Villas, Inc.

I have reviewed the accompanying financial statements of Pebble Beach Villas, Inc. which comprises the balance sheet as of December 31, 2015, and the related statement of revenues and expenses and changes in fund balances, statement of cash flows, and the related notes to the financial statements for the year then ended. A review includes primarily 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 taken as a whole. Accordingly, I do not express such an opinion.

The prior year summarized comparative information has been derived from the association's December 31, 2014 reviewed financial statements as prepared by me.

### **Management's Responsibility for the Financial Statements**

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair representation of the financial statements that are free from material misstatement due to fraud or error.

### **Accountant's Responsibility**

My responsibility is to conduct the review, in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United State of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review, I am not aware of any material modification 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.

### **Other Matters – Supplementary Information**

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 Revenues and 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 assurances) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made to it.

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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 Financial Accounting Standards Board. I have compiled this 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*

March 16, 2016

**PEBBLE BEACH VILLAS, INC.**

**Balance Sheet**

December 31, 2015

	December 31, 2015			12/31/14
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b><u>ASSETS</u></b>				
Cash	67,946	308,619	376,565	338,654
Assessments Receivable	415	0	415	804
Prepaid Insurance	27,830	0	27,830	28,264
<b>TOTAL ASSETS</b>	<b>\$ 96,191</b>	<b>\$ 308,619</b>	<b>\$ 404,810</b>	<b>\$ 367,722</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Accounts Payable	\$ 547	\$ 0	\$ 547	\$ 3,962
Assessments Paid in Advance	17,202	0	17,202	13,711
<b>TOTAL LIABILITIES</b>	<b>17,749</b>	<b>0</b>	<b>17,749</b>	<b>17,673</b>
<b>TOTAL FUND BALANCES</b>	<b>78,442</b>	<b>308,619</b>	<b>387,061</b>	<b>350,049</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 96,191</b>	<b>\$ 308,619</b>	<b>\$ 404,810</b>	<b>\$ 367,722</b>

**PEBBLE BEACH VILLAS, INC.**  
**Statement of Revenues, Expenses and Changes in Fund Balance**  
**For the Year Ended December 31, 2015**

	2015			2014
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b><u>REVENUES</u></b>				
MAINTENANCE ASSESSMENTS	\$ 300,802	\$ 41,270	\$ 342,072	\$ 341,892
INTEREST INCOME	23	905	928	799
LAUNDRY AND OTHER INCOME	4,404	0	4,404	3,911
<b>TOTAL REVENUES</b>	<b>305,229</b>	<b>42,175</b>	<b>347,404</b>	<b>346,602</b>
<b><u>EXPENSES</u></b>				
ADMINISTRATIVE	153,349	0	153,349	153,782
BUILDING OPERATIONS	50,696	0	50,696	52,191
GROUNDS/LANDSCAPE CARE	51,859	0	51,859	50,638
RECREATION FACILITIES	2,005	0	2,005	5,362
UTILITIES	36,556	0	36,556	36,214
OTHER	1,412	0	1,412	3,191
MAJOR REPAIRS AND REPLACEMENTS	0	14,515	14,515	1,100
<b>TOTAL EXPENSES</b>	<b>295,877</b>	<b>14,515</b>	<b>310,392</b>	<b>302,478</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<b>9,352</b>	<b>27,660</b>	<b>37,012</b>	<b>44,124</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>69,090</b>	<b>280,959</b>	<b>350,049</b>	<b>305,925</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 78,442</b>	<b>\$ 308,619</b>	<b>\$ 387,061</b>	<b>\$ 350,049</b>

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**PEBBLE BEACH VILLAS, INC.**  
**Statement of Cash Flows**  
For Year Ended December 31, 2015

INCREASE(DECREASE) IN CASH	2015			2014
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Cash Receipts From Assessments	\$ 304,682	\$ 41,361	\$ 346,043	\$ 350,345
Interest Income Received	23	779	802	779
Other Income Received	4,404	0	4,404	3,931
Cash Payments to Vendors and Suppliers	(298,858)	(1,100)	(299,958)	(298,379)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>10,251</u>	<u>41,040</u>	<u>51,291</u>	<u>56,676</u>
<b>NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR</b>	10,251	41,040	51,291	56,676
<b>CASH AT BEGINNING OF YEAR</b>	57,695	280,959	338,654	281,978
<b>CASH AT END OF YEAR</b>	\$ <u>67,946</u>	\$ <u>321,999</u>	\$ <u>389,945</u>	\$ <u>338,654</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	\$ 9,352	\$ 27,660	\$ 37,012	\$ 44,124
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	389	0	389	56
Prepaid Expenses	434	0	434	800
Increase (Decrease) in:				
Accounts Payable	(3,415)	0	(3,415)	3,299
Assessments Received in Advance	3,491	0	3,491	8,397
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ <u>10,251</u>	\$ <u>27,660</u>	\$ <u>37,911</u>	\$ <u>56,676</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 using the accrual basis of accounting 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. Minor amounts of 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.

**Allocation of Revenues and Expenses**

The revenues and expenses of the Association are allocated to the unit owners based on the size of each unit.

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# PEBBLE BEACH VILLAS, INC.

## NOTES TO FINANCIAL STATEMENTS

### **Member Assessments**

Association members are subject to monthly 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, 2015, 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 2015 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 2013, 2014, and 2015 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, 2015.

### **Subsequent Events**

Management evaluated the existence of any subsequent events through March 10, 2016, 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 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, 2015; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2015.

**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:

Component	<u>SCHEDULE OF RESERVE FUNDS</u>				Ending Balance
	<u>Beginning Balance</u>	<u>Current Year Funding</u>	<u>Current Year</u>		
			Interest	Expended	
Building	28,074	17,987	113	0	46,174
Recreation	24,066	0	66	(5,801)	18,331
Painting	43,110	7,386	128	(8,714)	41,910
Paving	30,515	5,347	102	0	35,964
Roofing	155,194	10,550	496	0	166,240
<b>Total Reserves</b>	<u>280,959</u>	<u>41,270</u>	<u>905</u>	<u>(14,515)</u>	<u>308,619</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, 2015

	2014		2015		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	<u>%</u> <u>Variance</u>
<b>REVENUES</b>					
MAINTENANCE ASSESSMENTS	300,531	300,802	300,802	0	0.0%
INTEREST INCOME	20	23	0	23	0.0%
LAUNDRY AND OTHER INCOME	3,911	4,404	0	4,404	0.0%
<b>TOTAL REVENUES</b>	<b>304,462</b>	<b>305,229</b>	<b>300,802</b>	<b>4,427</b>	<b>1.5%</b>

**EXPENSES:**

**ADMINISTRATIVE**

CPA REPORT	1,750	1,750	1,750	0	0.0%
CORPORATE/CONDO FEES	349	349	349	0	0.0%
INSURANCE	128,749	128,821	125,542	(3,279)	-2.6%
LEGAL FEES	175	200	1,000	800	80.0%
MANAGEMENT FEES	19,294	19,294	19,294	0	0.0%
POSTAGE/OFFICE SUPPLIES/COPIES	2,161	1,611	2,000	389	19.5%
TELEPHONE	1,304	1,324	1,400	76	5.4%
<b>Total · ADMINISTRATIVE</b>	<b>153,782</b>	<b>153,349</b>	<b>151,335</b>	<b>(2,014)</b>	<b>-1.3%</b>

**BUILDING OPERATIONS:**

BUILDING MAINTENANCE AND REPAIRS	10,649	8,574	8,500	(74)	-0.9%
PEST CONTROL-BUILDINGS	5,056	3,852	5,150	1,298	25.2%
BUILDING MAINTENANCE/CLEANING LABOR	36,486	38,270	40,000	1,730	4.3%
<b>Total · BUILDING OPERATIONS</b>	<b>52,191</b>	<b>50,696</b>	<b>53,650</b>	<b>2,954</b>	<b>5.5%</b>

**GROUNDS/LANDSCAPE CARE:**

GROUNDS/LAWN CONTRACT	29,448	29,448	30,336	888	2.9%
IRRIGATION SUPPLIES/ REPAIRS	212	390	1,500	1,110	74.0%
IRRIGATION WATER	3,932	3,994	4,500	506	11.2%
PLANT REPLACEMENT AND MULCH	5,281	6,216	5,000	(1,216)	-24.3%
SPRAYING AND FERTILIZING	5,685	5,175	5,570	395	7.1%
PALM TRIMMING AND PRUNING	6,080	6,636	6,000	(636)	-10.6%
<b>Total · GROUNDS/LANDSCAPE CARE:</b>	<b>50,638</b>	<b>51,859</b>	<b>52,906</b>	<b>1,047</b>	<b>2.0%</b>

**RECREATION FACILITIES:**

CLUBHOUSE REPAIRS	255	0	1,000	1,000	100.0%
POOL SUPPLIES AND REPAIRS	5,107	2,005	2,800	795	28.4%
TENNIS COURT REPAIRS	0	0	200	200	100.0%
<b>Total · RECREATION FACILITIES</b>	<b>5,362</b>	<b>2,005</b>	<b>4,000</b>	<b>1,995</b>	<b>49.9%</b>

**PEBBLE BEACH VILLAS, INC.**  
**Comparison of Actual vs. Budget-Operating**  
For Year Ended December 31, 2015

	<b>2014</b>		<b>2015</b>		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	<u>%</u> <u>Variance</u>
<b><u>EXPENSES (continued):</u></b>					
<b>UTILITIES:</b>					
ELECTRICITY	8,260	8,545	9,000	455	5.1%
TRASH REMOVAL	3,160	3,278	3,173	(105)	-3.3%
WATER AND SEWER	24,794	24,733	26,500	1,767	6.7%
Total · UTILITIES	<u>36,214</u>	<u>36,556</u>	<u>38,673</u>	<u>2,117</u>	<u>5.5%</u>
<b>OTHER:</b>					
CONTINGENCY	3,191	1,412	4,000	2,588	64.7%
Total · OTHER	<u>3,191</u>	<u>1,412</u>	<u>4,000</u>	<u>2,588</u>	<u>64.7%</u>
<b>TOTAL EXPENSES</b>	<u>301,378</u>	<u>295,877</u>	<u>304,564</u>	<u>8,687</u>	<u>2.9%</u>
<b>NET SURPLUS (DEFICIT)</b>	<u>3,084</u>	<u>9,352</u>	<u>(3,762)</u>	<u>13,114</u>	

**PEBBLE BEACH VILLAS ,INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**December 31, 2015**

The Board of Directors conducted a study in 2015 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.

<u>Component</u>	<u>Estimated Useful Life in</u>		<u>Requirements</u>			<u>Replacement Fund Balance At 12/31/2015</u>
	<u>Full Life</u>	<u>Years Remaining</u>	<u>Estimated Current Replacement Cost</u>	<u>Full Funding</u>	<u>Budgeted 2016 Funding</u>	
Roofing	20	8	\$ 250,000	\$ 10,492	\$ 10,492	\$ 166,240
Buildings	20	5	100,000	10,774	10,774	46,174
Paving	25	12	100,000	5,339	5,339	35,964
Painting	7	4	80,000	9,533	9,533	41,910
Recreation	10	1	24,043	5,731	5,731	18,331
<b>Totals</b>			<u>554,043</u>	<u>41,869</u>	<u>41,869</u>	<u>308,619</u>