

**PEBBLE BEACH VILLAS, INC.**

**VERO BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT ACCOUNTANT'S REPORT**

**For Year Ended December 31, 2016**

Gerald Jackson, Jr.  
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## **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, 2016, 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, 2015 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.

Gerald Jackson, Jr.  
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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 24, 2017

**PEBBLE BEACH VILLAS, INC.**

**Balance Sheet**

December 31, 2016

|   | December 31, 2016 |                   |                   | 12/31/15          |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Operating Fund    | Replacement Fund  | Total Funds       | Total Funds       |
| <b><u>ASSETS</u></b>                        |                   |                   |                   |                   |
| Cash  | 71,906            | 352,295           | 424,201           | 376,565           |
| Assessments Receivable                      | 10                | 0                 | 10                | 415               |
| Prepaid Insurance                           | 26,917            | 0                 | 26,917            | 27,830            |
| <b>TOTAL ASSETS</b>                         | <b>\$ 98,833</b>  | <b>\$ 352,295</b> | <b>\$ 451,128</b> | <b>\$ 404,810</b> |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                   |                   |                   |                   |
| Accounts Payable                            | \$ 10,318         | \$ 0              | \$ 10,318         | \$ 547            |
| Assessments Paid in Advance                 | 14,513            | 0                 | 14,513            | 17,202            |
| <b>TOTAL LIABILITIES</b>                    | <b>24,831</b>     | <b>0</b>          | <b>24,831</b>     | <b>17,749</b>     |
| <b>TOTAL FUND BALANCES</b>                  | <b>74,002</b>     | <b>352,295</b>    | <b>426,297</b>    | <b>387,061</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>  | <b>\$ 98,833</b>  | <b>\$ 352,295</b> | <b>\$ 451,128</b> | <b>\$ 404,810</b> |

**PEBBLE BEACH VILLAS, INC.**  
**Statement of Revenues, Expenses and Changes in Fund Balance**  
**For the Year Ended December 31,2016**

|   | 2016              |                     |                   | 2015              |
|---|-------------------|---------------------|-------------------|-------------------|
|   | Operating<br>Fund | Replacement<br>Fund | Total<br>Funds    | Total<br>Funds    |
| <b><u>REVENUES</u></b>                            |                   |                     |                   |                   |
| MAINTENANCE ASSESSMENTS                           | \$ 300,203        | \$ 41,869           | \$ 342,072        | \$ 342,072        |
| INTEREST INCOME                                   | 252               | 1,807               | 2,059             | 928               |
| LAUNDRY AND OTHER INCOME                          | 4,548             | 0                   | 4,548             | 4,404             |
| <b>TOTAL REVENUES</b>                             | <b>305,003</b>    | <b>43,676</b>       | <b>348,679</b>    | <b>347,404</b>    |
| <b><u>EXPENSES</u></b>                            |                   |                     |                   |                   |
| ADMINISTRATIVE                                    | 155,622           | 0                   | 155,622           | 153,349           |
| BUILDING OPERATIONS                               | 52,985            | 0                   | 52,985            | 50,696            |
| GROUNDS/LANDSCAPE CARE                            | 53,376            | 0                   | 53,376            | 51,859            |
| RECREATION FACILITIES                             | 2,115             | 0                   | 2,115             | 2,005             |
| UTILITIES   | 37,128            | 0                   | 37,128            | 36,556            |
| OTHER   | 8,217             | 0                   | 8,217             | 1,412             |
| MAJOR REPAIRS AND REPLACEMENTS                    | 0                 | 0                   | 0                 | 14,515            |
| <b>TOTAL EXPENSES</b>                             | <b>309,443</b>    | <b>0</b>            | <b>309,443</b>    | <b>310,392</b>    |
| <b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b> | <b>(4,440)</b>    | <b>43,676</b>       | <b>39,236</b>     | <b>37,012</b>     |
| <b>FUND BALANCES,<br/>BEGINNING OF YEAR</b>       | <b>78,442</b>     | <b>308,619</b>      | <b>387,061</b>    | <b>350,049</b>    |
| <b>FUND BALANCES, END OF YEAR</b>                 | <b>\$ 74,002</b>  | <b>\$ 352,295</b>   | <b>\$ 426,297</b> | <b>\$ 387,061</b> |

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**PEBBLE BEACH VILLAS, INC.**  
**Statement of Cash Flows**  
For Year Ended December 31,2016

| INCREASE(DECREASE) IN CASH                              | 2016             |                   |                   | 2015              |
|---|------------------|-------------------|-------------------|-------------------|
|   | Operating Fund   | Replacement Fund  | Total Funds       | Total Funds       |
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>             |                  |                   |                   |                   |
| Cash Receipts From Assessments                          | \$ 297,919       | \$ 41,869         | \$ 339,788        | \$ 346,043        |
| Interest Income Received                                | 252              | 1,807             | 2,059             | 802               |
| Other Income Received                                   | 4,548            | 0                 | 4,548             | 4,404             |
| Cash Payments to Vendors and Suppliers                  | (298,759)        | 0                 | (298,759)         | (313,338)         |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> | <u>3,960</u>     | <u>43,676</u>     | <u>47,636</u>     | <u>37,911</u>     |
| <b>NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR</b> | 3,960            | 43,676            | 47,636            | 37,911            |
| <b>CASH AT BEGINNING OF YEAR</b>                        | 67,946           | 308,619           | 376,565           | 338,654           |
| <b>CASH AT END OF YEAR</b>                              | \$ <u>71,906</u> | \$ <u>352,295</u> | \$ <u>424,201</u> | \$ <u>376,565</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   | \$ (4,440)      | \$ 43,676        | \$ 39,236        | \$ 37,012        |
| Adjustments to reconcile excess (deficit) of revenues<br>over expenses to net cash provided by operating activities: |                 |                  |                  |                  |
| (Increase) Decrease in:  |                 |                  |                  |                  |
| Assessments Receivable   | 405             | 0                | 405              | 389              |
| Prepaid Expenses   | 913             | 0                | 913              | 434              |
| Increase (Decrease) in:  |                 |                  |                  |                  |
| Accounts Payable   | 9,771           | 0                | 9,771            | (3,415)          |
| Assessments Received in Advance  | (2,689)         | 0                | (2,689)          | 3,491            |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIE</b>   | \$ <u>3,960</u> | \$ <u>43,676</u> | \$ <u>47,636</u> | \$ <u>37,911</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 31,2016, 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 31,2016.

**Subsequent Events**

Management evaluated the existence of any subsequent events through March 24,2017, 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, 2016; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2016.

**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<br>Balance     |
|-----------------------|----------------------------------|---------------------------------|---------------------|-----------------|-----------------------|
|                       | <u>Beginning<br/>Balance</u>     | <u>Current Year<br/>Funding</u> | <u>Current Year</u> |                 |                       |
|                       |                                  |                                 | <u>Interest</u>     | <u>Expended</u> |                       |
| Building              | 46,174                           | 10,774                          | 283                 | 0               | 57,231                |
| Recreation            | 18,331                           | 5,731                           | 117                 | 0               | 24,179                |
| Painting              | 41,910                           | 9,533                           | 256                 | 0               | 51,699                |
| Paving                | 35,964                           | 5,339                           | 212                 | 0               | 41,515                |
| Roofing               | 166,240                          | 10,492                          | 939                 | 0               | 177,671               |
| <b>Total Reserves</b> | <b><u>308,619</u></b>            | <b><u>41,869</u></b>            | <b><u>1,807</u></b> | <b><u>0</u></b> | <b><u>352,295</u></b> |

- 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 31,2016

|                          | 2015           |                | 2016           |                |             |
|--------------------------|----------------|----------------|----------------|----------------|-------------|
|                          | Actual         | Actual         | Budget         | \$<br>Variance |             |
| <b>REVENUES</b>          |                |                |                |                |             |
| MAINTENANCE ASSESSMENTS  | 300,802        | 300,203        | 300,203        | 0              | 0.0%        |
| INTEREST INCOME          | 23             | 252            | 0              | 252            | 0.0%        |
| LAUNDRY AND OTHER INCOME | 4,404          | 4,548          | 0              | 4,548          | 0.0%        |
| <b>TOTAL REVENUES</b>    | <b>305,229</b> | <b>305,003</b> | <b>300,203</b> | <b>4,800</b>   | <b>1.6%</b> |

**EXPENSES:**

|                                |                |                |                |                |              |
|--------------------------------|----------------|----------------|----------------|----------------|--------------|
| <b>ADMINISTRATIVE</b>          |                |                |                |                |              |
| CPA REPORT                     | 1,750          | 1,750          | 1,750          | 0              | 0.0%         |
| CORPORATE/CONDO FEES           | 349            | 349            | 349            | 0              | 0.0%         |
| INSURANCE                      | 128,821        | 129,585        | 129,119        | (466)          | -0.4%        |
| LEGAL FEES                     | 200            | 711            | 1,000          | 289            | 28.9%        |
| MANAGEMENT FEES                | 19,294         | 19,294         | 19,294         | 0              | 0.0%         |
| POSTAGE/OFFICE SUPPLIES/COPIES | 1,611          | 2,552          | 1,500          | (1,052)        | -70.1%       |
| TELEPHONE                      | 1,324          | 1,381          | 1,400          | 19             | 1.4%         |
| <b>Total · ADMINISTRATIVE</b>  | <b>153,349</b> | <b>155,622</b> | <b>154,412</b> | <b>(1,210)</b> | <b>-0.8%</b> |

|                                     |               |               |               |              |             |
|-------------------------------------|---------------|---------------|---------------|--------------|-------------|
| <b>BUILDING OPERATIONS:</b>         |               |               |               |              |             |
| BUILDING MAINTENANCE AND REPAIRS    | 8,574         | 9,171         | 8,500         | (671)        | -7.9%       |
| PEST CONTROL-BUILDINGS              | 3,852         | 5,410         | 5,500         | 90           | 1.6%        |
| BUILDING MAINTENANCE/CLEANING LABOR | 38,270        | 38,404        | 40,728        | 2,324        | 5.7%        |
| <b>Total · BUILDING OPERATIONS</b>  | <b>50,696</b> | <b>52,985</b> | <b>54,728</b> | <b>1,743</b> | <b>3.2%</b> |

|  |               |               |               |              |              |
|--|---------------|---------------|---------------|--------------|--------------|
| <b>GROUNDS/LANDSCAPE CARE:</b>         |               |               |               |              |              |
| GROUNDS/LAWN CONTRACT                  | 29,448        | 30,813        | 30,332        | (481)        | -1.6%        |
| IRRIGATION SUPPLIES/ REPAIRS           | 390           | 802           | 1,500         | 698          | 46.5%        |
| IRRIGATION WATER                       | 3,994         | 4,031         | 4,500         | 469          | 10.4%        |
| PLANT REPLACEMENT AND MULCH            | 6,216         | 5,790         | 5,000         | (790)        | -15.8%       |
| SPRAYING AND FERTILIZING               | 5,175         | 5,330         | 5,100         | (230)        | -4.5%        |
| PALM TRIMMING AND PRUNING              | 6,636         | 6,610         | 6,000         | (610)        | -10.2%       |
| <b>Total · GROUNDS/LANDSCAPE CARE:</b> | <b>51,859</b> | <b>53,376</b> | <b>52,432</b> | <b>(944)</b> | <b>-1.8%</b> |

|                                      |              |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>RECREATION FACILITIES:</b>        |              |              |              |              |              |
| CLUBHOUSE REPAIRS                    | 0            | 0            | 1,400        | 1,400        | 100.0%       |
| POOL SUPPLIES AND REPAIRS            | 2,005        | 2,115        | 2,800        | 685          | 24.5%        |
| TENNIS COURT REPAIRS                 | 0            | 0            | 200          | 200          | 100.0%       |
| <b>Total · RECREATION FACILITIES</b> | <b>2,005</b> | <b>2,115</b> | <b>4,400</b> | <b>2,285</b> | <b>51.9%</b> |

**PEBBLE BEACH VILLAS, INC.**  
**Comparison of Actual vs. Budget-Operating**  
For Year Ended December 31, 2016

|                                     | 2015           |                | 2016           |                              |                             |
|-------------------------------------|----------------|----------------|----------------|------------------------------|-----------------------------|
|                                     | <u>Actual</u>  | <u>Actual</u>  | <u>Budget</u>  | <u>\$</u><br><u>Variance</u> | <u>%</u><br><u>Variance</u> |
| <b><u>EXPENSES (continued):</u></b> |                |                |                |                              |                             |
| <b>UTILITIES:</b>                   |                |                |                |                              |                             |
| ELECTRICITY                         | 8,545          | 8,568          | 9,200          | 632                          | 6.9%                        |
| TRASH REMOVAL                       | 3,278          | 3,812          | 3,400          | (412)                        | -12.1%                      |
| WATER AND SEWER                     | 24,733         | 24,748         | 26,500         | 1,752                        | 6.6%                        |
| Total · UTILITIES                   | <u>36,556</u>  | <u>37,128</u>  | <u>39,100</u>  | <u>1,972</u>                 | <u>5.0%</u>                 |
| <b>OTHER:</b>                       |                |                |                |                              |                             |
| CONTINGENCY                         | 1,412          | 8,217          | 3,000          | (5,217)                      | -173.9%                     |
| Total · OTHER                       | <u>1,412</u>   | <u>8,217</u>   | <u>3,000</u>   | <u>(5,217)</u>               | <u>-173.9%</u>              |
| <b>TOTAL EXPENSES</b>               | <u>295,877</u> | <u>309,443</u> | <u>308,072</u> | <u>(1,371)</u>               | <u>-0.4%</u>                |
| <b>NET SURPLUS (DEFICIT)</b>        | <u>9,352</u>   | <u>(4,440)</u> | <u>(7,869)</u> | <u>3,429</u>                 |                             |

**PEBBLE BEACH VILLAS ,INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**December 31, 2016**

The Board of Directors conducted a study in 2016 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>Replacement Fund Balance At 12/31/2016</u> |
|------------------|---------------------------------|------------------------|---|---------------------|------------------------------|---|
|                  | <u>Full Life</u>                | <u>Years Remaining</u> | <u>Estimated Current Replacement Cost</u> | <u>Full Funding</u> | <u>Budgeted 2017 Funding</u> |   |
| Roofing          | 20                              | 7                      | \$ 250,000                                | \$ 10,381           | \$ 10,381                    | \$ 177,671                                    |
| Buildings        | 20                              | 4                      | 100,000                                   | 10,719              | 10,719                       | 57,231  |
| Paving           | 25                              | 11                     | 100,000                                   | 5,324               | 5,324                        | 41,515  |
| Painting         | 7                               | 3                      | 80,000                                    | 9,466               | 9,466                        | 51,699  |
| Recreation       | 10                              | 1                      | 24,043                                    | 0                   | 0                            | 24,179  |
| <b>Totals</b>    |                                 |                        | <u>554,043</u>                            | <u>35,890</u>       | <u>35,890</u>                | <u>352,295</u>                                |