

PEBBLE BEACH VILLAS, INC.

VERO BEACH, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

For Year Ended December 31, 2017

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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, 2017, 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.

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 review procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made to this supplementary information.

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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, a conclusion, or any other form of assurance on this supplementary information.

Report on Summarized Comparative Information:

I have previously reviewed Pebble Beach Villas, Inc.'s 2016 financial statements and had expressed an unmodified opinion on those financial statements in my report dated March 24, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.



February 25, 2018

PEBBLE BEACH VILLAS, INC.

Balance Sheet

December 31, 2017

	December 31, 2017			12/31/16
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
Cash	47,530	368,978	416,508	424,201
Assessments Receivable	1,533	0	1,533	10
Prepaid Insurance	26,410	0	26,410	26,917
TOTAL ASSETS	\$ 75,473	\$ 368,978	\$ 444,451	\$ 451,128
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 189	\$ 0	\$ 189	\$ 10,318
Assessments Paid in Advance	7,442	0	7,442	14,513
TOTAL LIABILITIES	7,631	0	7,631	24,831
TOTAL FUND BALANCES	67,842	368,978	436,820	426,297
TOTAL LIABILITIES AND FUND BALANCES	\$ 75,473	\$ 368,978	\$ 444,451	\$ 451,128

PEBBLE BEACH VILLAS, INC.
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31,2017

	2017			2016
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
MAINTENANCE ASSESSMENTS	\$ 301,538	\$ 35,890	\$ 337,428	\$ 342,072
INTEREST INCOME	318	2,204	2,522	2,059
LAUNDRY AND OTHER INCOME	4,204	0	4,204	4,548
TOTAL REVENUES	306,060	38,094	344,154	348,679
<u>EXPENSES</u>				
ADMINISTRATIVE	152,638	0	152,638	155,622
BUILDING OPERATIONS	60,623	0	60,623	52,985
GROUND/SCAPE CARE	48,584	0	48,584	53,376
RECREATION FACILITIES	3,571	0	3,571	2,115
UTILITIES	37,173	0	37,173	37,128
OTHER	9,631	0	9,631	8,217
MAJOR REPAIRS AND REPLACEMENTS	0	21,411	21,411	0
TOTAL EXPENSES	312,220	21,411	333,631	309,443
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(6,160)	16,683	10,523	39,236
FUND BALANCES, BEGINNING OF YEAR	74,002	352,295	426,297	387,061
FUND BALANCES, END OF YEAR	\$ 67,842	\$ 368,978	\$ 436,820	\$ 426,297

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PEBBLE BEACH VILLAS, INC.
Statement of Cash Flows
For Year Ended December 31,2017

INCREASE(DECREASE) IN CASH	2017			2016
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 292,944	\$ 35,890	\$ 328,834	\$ 339,788
Interest Income Received	318	2,204	2,522	2,059
Other Income Received	4,204	0	4,204	4,548
Cash Payments to Vendors and Suppliers	(321,842)	(21,411)	(343,253)	(298,759)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(24,376)</u>	<u>16,683</u>	<u>(7,693)</u>	<u>47,636</u>
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	(24,376)	16,683	(7,693)	47,636
CASH AT BEGINNING OF YEAR	71,906	352,295	424,201	376,565
CASH AT END OF YEAR	\$ <u>47,530</u>	\$ <u>368,978</u>	\$ <u>416,508</u>	\$ <u>424,201</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	\$ (6,160)	\$ 16,683	\$ 10,523	\$ 39,236
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	(1,523)	0	(1,523)	405
Prepaid Expenses	507	0	507	913
Increase (Decrease) in:				
Accounts Payable	(10,129)	0	(10,129)	9,771
Assessments Received in Advance	(7,071)	0	(7,071)	(2,689)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIE	\$ <u>(24,376)</u>	\$ <u>16,683</u>	\$ <u>(7,693)</u>	\$ <u>47,636</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, 2017, 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 2015, 2016, and 2017 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, 2017.

Subsequent Events

Management evaluated the existence of any subsequent events through February 25, 2018, 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, 2017; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2017.

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>				
	Beginning	Current Year	<u>Current Year</u>		Ending
	<u>Balance</u>	<u>Funding</u>	<u>Interest</u>	<u>Expended</u>	<u>Balance</u>
Building	57,231	10,719	370	(7,100)	61,220
Recreation	24,179	0	140	(4,743)	19,576
Painting	51,699	9,466	340	0	61,505
Paving	41,515	5,324	267	0	47,106
Roofing	177,671	10,381	1,087	(9,568)	179,571
Total Reserves	<u>352,295</u>	<u>35,890</u>	<u>2,204</u>	<u>(21,411)</u>	<u>368,978</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 31,2017

	<u>2016</u>		<u>2017</u>		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	
<u>REVENUES</u>					
MAINTENANCE ASSESSMENTS	300,203	301,538	301,538	0	0.0%
INTEREST INCOME	252	318	0	318	0.0%
LAUNDRY AND OTHER INCOME	4,548	4,204	0	4,204	0.0%
TOTAL REVENUES	305,003	306,060	301,538	4,522	1.5%
<u>EXPENSES:</u>					
ADMINISTRATIVE					
CPA REPORT	1,750	1,750	1,750	0	0.0%
CORPORATE/CONDO FEES	349	637	349	(288)	-82.5%
INSURANCE	129,585	126,228	127,612	1,384	1.1%
LEGAL FEES	711	216	1,000	784	78.4%
MANAGEMENT FEES	19,294	19,872	19,872	0	0.0%
POSTAGE/OFFICE SUPPLIES/COPIES	2,552	2,373	1,950	(423)	-21.7%
TELEPHONE	1,381	1,562	1,400	(162)	-11.6%
Total · ADMINISTRATIVE	<u>155,622</u>	<u>152,638</u>	<u>153,933</u>	<u>1,295</u>	<u>0.8%</u>
BUILDING OPERATIONS:					
BUILDING MAINTENANCE AND REPAIRS	9,171	16,348	8,500	(7,848)	-92.3%
PEST CONTROL-BUILDINGS	5,410	5,737	5,513	(224)	-4.1%
CLEANING LABOR	7,200	7,020	8,640	1,620	18.8%
BUILDING MAINTENANCE/CLEANING LABOR	31,204	31,518	30,064	(1,454)	-4.8%
Total · BUILDING OPERATIONS	<u>52,985</u>	<u>60,623</u>	<u>52,717</u>	<u>(7,906)</u>	<u>-15.0%</u>
GROUNDS/LANDSCAPE CARE:					
GROUNDS/LAWN CONTRACT	30,813	29,528	29,448	(80)	-0.3%
IRRIGATION SUPPLIES/ REPAIRS	802	2,144	1,200	(944)	-78.7%
IRRIGATION WATER	4,031	3,350	4,250	900	21.2%
PLANT REPLACEMENT AND MULCH	5,790	3,279	5,000	1,721	34.4%
SPRAYING AND FERTILIZING	5,330	5,230	5,100	(130)	-2.5%
PALM TRIMMING AND PRUNING	6,610	5,053	7,000	1,947	27.8%
Total ·GROUNDS/LANDSCAPE CARE:	<u>53,376</u>	<u>48,584</u>	<u>51,998</u>	<u>3,414</u>	<u>6.6%</u>
RECREATION FACILITIES:					
CLUBHOUSE REPAIRS	0	0	1,000	1,000	100.0%
POOL SUPPLIES AND REPAIRS	2,115	3,571	2,500	(1,071)	-42.8%
TENNIS COURT REPAIRS	0	0	200	200	100.0%
Total · RECREATION FACILITIES	<u>2,115</u>	<u>3,571</u>	<u>3,700</u>	<u>129</u>	<u>3.5%</u>

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PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31,2017

	<u>2016</u>		<u>2017</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	8,568	8,390	9,500	1,110	11.7%
TRASH REMOVAL	3,812	3,771	3,956	185	4.7%
WATER AND SEWER	24,748	25,012	26,500	1,488	5.6%
Total · UTILITIES	<u>37,128</u>	<u>37,173</u>	<u>39,956</u>	<u>2,783</u>	<u>7.0%</u>
OTHER:					
CONTINGENCY	8,217	9,631	3,000	(6,631)	-221.0%
Total · OTHER	<u>8,217</u>	<u>9,631</u>	<u>3,000</u>	<u>(6,631)</u>	<u>-221.0%</u>
TOTAL EXPENSES	<u>309,443</u>	<u>312,220</u>	<u>305,304</u>	<u>(6,916)</u>	<u>-2.3%</u>
NET SURPLUS (DEFICIT)	<u>(4,440)</u>	<u>(6,160)</u>	<u>(3,766)</u>	<u>(2,394)</u>	

PEBBLE BEACH VILLAS ,INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2017

The Board of Directors conducted a study in 2017 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 12/31/2017</u>
	<u>Full Life</u>	<u>Years Remaining</u>	<u>Estimated Current Replacement Cost</u>	<u>Full Funding</u>	<u>Budgeted 2018 Funding</u>	
Roofing	20	6	\$ 250,000	\$ 14,950	\$ 14,950	\$ 179,571
Buildings	20	7	100,000	4,544	4,544	61,220
Paving	25	10	100,000	5,298	5,298	47,106
Painting	7	1	80,000	18,617	18,617	61,505
Recreation	10	5	24,043	889	889	19,576
Totals			<u>554,043</u>	<u>44,298</u>	<u>44,298</u>	<u>368,978</u>