

PEBBLE BEACH VILLAS, INC.

VERO BEACH, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

For Year Ended December 31, 2020

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, 2020, 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 2019 financial statements and had expressed an unmodified opinion on those financial statements in my report dated February 5, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Gerald Jackson Jr

January 27, 2021

PEBBLE BEACH VILLAS, INC.

Balance Sheet

December 31, 2020

	December 31, 2020			12/31/19
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>ASSETS</u>				
Cash	70,469	451,274	521,743	478,613
Assessments Receivable	760	0	760	501
Prepaid Insurance	18,614	0	18,614	24,512
TOTAL ASSETS	\$ 89,843	\$ 451,274	\$ 541,117	\$ 503,626
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts Payable	\$ 2,356	\$ 150	\$ 2,506	\$ 2,836
Assessments Paid in Advance	15,421	0	15,421	24,465
Income Taxes Payable	0	0	0	1,039
TOTAL LIABILITIES	17,777	150	17,927	28,340
TOTAL FUND BALANCES	72,066	451,124	523,190	475,286
TOTAL LIABILITIES AND FUND BALANCES	\$ 89,843	\$ 451,274	\$ 541,117	\$ 503,626

PEBBLE BEACH VILLAS, INC.
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2020

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
MAINTENANCE ASSESSMENTS	\$ 317,556	\$ 86,580	\$ 404,136	\$ 348,300
INTEREST INCOME	50	5,467	5,517	5,890
LAUNDRY AND OTHER INCOME	2,991	0	2,991	3,332
TOTAL REVENUES	320,597	92,047	412,644	357,522
<u>EXPENSES</u>				
ADMINISTRATIVE	141,204	0	141,204	138,772
BUILDING OPERATIONS	52,361	0	52,361	54,208
GROUNDS/LANDSCAPE CARE	65,334	0	65,334	54,223
RECREATION FACILITIES	5,899	0	5,899	6,315
UTILITIES	44,116	0	44,116	41,928
OTHER	968	0	968	9,604
LAUNDRY EXPENSE	5,994	0	5,994	0
MAJOR REPAIRS AND REPLACEMENTS	0	48,864	48,864	34,646
TOTAL EXPENSES	315,876	48,864	364,740	339,696
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	4,721	43,183	47,904	17,826
FUND BALANCES, BEGINNING OF YEAR	67,345	407,941	475,286	457,460
FUND BALANCES, END OF YEAR	\$ 72,066	\$ 451,124	\$ 523,190	\$ 475,286

PEBBLE BEACH VILLAS, INC.
Statement of Cash Flows
For Year Ended December 31,2020

<u>INCREASE(DECREASE) IN CASH</u>	2020			2019
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>	<u>Total Funds</u>
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 308,253	\$ 86,580	\$ 394,833	\$ 353,837
Interest Income Received	50	5,467	5,517	5,890
Other Income Received	2,991	0	2,991	3,332
Cash Payments to Vendors and Suppliers	(309,532)	(50,679)	(360,211)	(342,855)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,762</u>	<u>41,367</u>	<u>43,129</u>	<u>20,205</u>
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	1,762	41,367	43,129	20,205
CASH AT BEGINNING OF YEAR	68,707	409,907	478,614	458,409
CASH AT END OF YEAR	<u>\$ 70,469</u>	<u>\$ 451,274</u>	<u>\$ 521,743</u>	<u>\$ 478,614</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	\$ 4,721	\$ 43,183	\$ 47,904	\$ 17,826
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	(259)	0	(259)	290
Prepaid Expenses	5,898	0	5,898	(4,325)
Increase (Decrease) in:				
Accounts Payable	1,485	(1,816)	(331)	127
Income Taxes Payable	(1,039)	0	(1,039)	1,039
Assessments Received in Advance	(9,044)	0	(9,044)	5,247
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,762</u>	<u>\$ 41,367</u>	<u>\$ 43,129</u>	<u>\$ 20,205</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.

Read Independent Accountant's Review Report

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.

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, 2020, 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 2018, 2019, and 2020 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, 2020.

Subsequent Events

Management evaluated the existence of any subsequent events through January 27, 2021, 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.

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, 2020;

Read Independent Accountant's Review Report

SUPPLEMENTARY INFORMATION

PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31,2020

	2019		2020		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>\$</u> <u>Variance</u>	<u>%</u> <u>Variance</u>
<u>REVENUES</u>					
MAINTENANCE ASSESSMENTS	288,330	317,556	317,556	0	0.0%
INTEREST INCOME	254	50	0	50	0.0%
LAUNDRY AND OTHER INCOME	3,332	2,991	3,000	(9)	-0.3%
TOTAL REVENUES	291,916	320,597	320,556	41	0.0%
<u>EXPENSES:</u>					
ADMINISTRATIVE					
CPA REVIEW REPORT	1,750	1,750	1,750	0	0.0%
CORPORATE/CONDO FEES	349	349	349	0	0.0%
INCOME TAXES	1,039	0	0	0	0.0%
INSURANCE	109,592	105,012	103,243	(1,769)	-1.7%
LEGAL FEES	514	4,804	1,000	(3,804)	-380.4%
MANAGEMENT FEES	21,491	22,566	22,566	0	0.0%
POSTAGE/OFFICE SUPPLIES/COPIES	2,593	5,405	2,200	(3,205)	-145.7%
TELEPHONE	1,444	1,318	1,650	332	20.1%
Total · ADMINISTRATIVE	138,772	141,204	132,758	(8,446)	-6.4%
BUILDING OPERATIONS:					
BUILDING MAINTENANCE AND REPAIRS	12,046	9,868	11,500	1,632	14.2%
PEST CONTROL-BUILDINGS	6,496	6,508	6,500	(8)	-0.1%
CLEANING LABOR	6,860	4,000	5,150	1,150	22.3%
BUILDING MAINTENANCE/CLEANING LABOR	28,806	31,985	33,480	1,495	4.5%
Total · BUILDING OPERATIONS	54,208	52,361	56,630	4,269	7.5%
GROUNDS/LANDSCAPE CARE:					
GROUNDS/LAWN CONTRACT	30,924	30,924	31,800	876	2.8%
IRRIGATION SUPPLIES/ REPAIRS	2,552	2,614	2,500	(114)	-4.6%
IRRIGATION WATER	3,359	3,514	4,200	686	16.3%
LANDSCAPE REPLACEMENT AND MULCH	7,058	15,289	12,500	(2,789)	-22.3%
WEED, PEST AND FERTILIZATION	5,620	5,450	5,300	(150)	-2.8%
TREE TRIMMING AND PRUNING	4,710	7,543	7,000	(543)	-7.8%
Total · GROUNDS/LANDSCAPE CARE:	54,223	65,334	63,300	(2,034)	-3.2%
RECREATION FACILITIES:					
CLUBHOUSE SERVICE AND REPAIRS	3,024	1,715	2,000	285	14.3%
POOL SUPPLIES AND REPAIRS	3,140	2,420	3,000	580	19.3%
TENNIS COURT REPAIRS	151	1,764	200	(1,564)	-782.0%
Total · RECREATION FACILITIES	6,315	5,899	5,200	(699)	-13.4%

PEBBLE BEACH VILLAS, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31,2020

	2019		2020		
	<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	8,746	8,729	9,000	271	3.0%
TRASH REMOVAL	8,936	10,149	11,400	1,251	11.0%
WATER AND SEWER	24,246	25,238	25,000	(238)	-1.0%
Total · UTILITIES	<u>41,928</u>	<u>44,116</u>	<u>45,400</u>	<u>1,284</u>	<u>2.8%</u>
OTHER:					
CONTINGENCY	9,604	968	5,000	4,032	80.6%
Total · OTHER	<u>9,604</u>	<u>968</u>	<u>5,000</u>	<u>4,032</u>	<u>80.6%</u>
LAUNDRY:	<u>0</u>	<u>5,994</u>	<u>2,000</u>	<u>(3,994)</u>	<u>-199.7%</u>
TOTAL EXPENSES	<u>305,050</u>	<u>315,876</u>	<u>310,288</u>	<u>(5,588)</u>	<u>-1.8%</u>
NET SURPLUS (DEFICIT)	<u>(13,134)</u>	<u>4,721</u>	<u>10,268</u>	<u>(5,547)</u>	

PEBBLE BEACH VILLAS ,INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2020

The Board of Directors conducts an annual study 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 12/31/2020</u>
	<u>Full Life</u>	<u>Years Remaining</u>	<u>Estimated Current Replacement Cost</u>	<u>Full Funding</u>	<u>Budgeted 2021 Full Funding</u>	
Roofing	20	7	\$ 600,000	\$ 47,452	\$ 47,452	\$ 267,833
Buildings	20	7	100,000	8,049	8,049	49,610
Paving	25	8	170,000	15,274	15,274	47,805
Painting	7	2	100,000	8,426	8,426	83,148
Recreation	20	7	50,000	7,370	7,370	2,728
Totals			<u>1,020,000</u>	<u>86,571</u>	<u>86,571</u>	<u>451,124</u>