

**PEBBLE BEACH VILLAS, INC.**

**VERO BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**For Year Ended December 31, 2021**

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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, 2021, 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 2020 financial statements and had expressed an unmodified opinion on those financial statements in my report dated January 27, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

*Gerald Jackson Jr*

April 3, 2022

**PEBBLE BEACH VILLAS, INC.**

**Balance Sheet**

December 31, 2021

	December 31, 2021			12/31/20
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b><u>ASSETS</u></b>				
Cash	76,600	499,802	576,402	521,743
Assessments Receivable	300	0	300	760
Prepaid Insurance	29,132	0	29,132	18,614
<b>TOTAL ASSETS</b>	<b>\$ 106,032</b>	<b>\$ 499,802</b>	<b>\$ 605,834</b>	<b>\$ 541,117</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Accounts Payable	\$ 537	\$ 0	\$ 537	\$ 2,506
Assessments Paid in Advance	23,430	0	23,430	15,421
Income Taxes Payable	260	0	260	0
<b>TOTAL LIABILITIES</b>	<b>24,227</b>	<b>0</b>	<b>24,227</b>	<b>17,927</b>
<b>TOTAL FUND BALANCES</b>	<b>81,805</b>	<b>499,802</b>	<b>581,607</b>	<b>523,190</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 106,032</b>	<b>\$ 499,802</b>	<b>\$ 605,834</b>	<b>\$ 541,117</b>

**PEBBLE BEACH VILLAS, INC.**  
**Statement of Revenues, Expenses and Changes in Fund Balance**  
**For the Year Ended December 31,2021**

	2021			2020
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b><u>REVENUES</u></b>				
MAINTENANCE ASSESSMENTS	\$ 326,721	\$ 86,571	\$ 413,292	\$ 404,136
INTEREST INCOME	24	3,586	3,610	5,517
LAUNDRY AND OTHER INCOME	2,120	0	2,120	2,991
<b>TOTAL REVENUES</b>	<b>328,865</b>	<b>90,157</b>	<b>419,022</b>	<b>412,644</b>
<b><u>EXPENSES</u></b>				
ADMINISTRATIVE	146,227	0	146,227	141,204
BUILDING OPERATIONS	55,992	0	55,992	52,361
GROUND/SCAPE CARE	58,210	0	58,210	65,334
RECREATION FACILITIES	3,271	0	3,271	5,899
UTILITIES	43,332	0	43,332	44,116
OTHER	2,388	0	2,388	968
LAUNDRY EXPENSE	9,706	0	9,706	5,994
MAJOR REPAIRS AND REPLACEMENTS	0	41,479	41,479	48,864
<b>TOTAL EXPENSES</b>	<b>319,126</b>	<b>41,479</b>	<b>360,605</b>	<b>364,740</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<b>9,739</b>	<b>48,678</b>	<b>58,417</b>	<b>47,904</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>72,066</b>	<b>451,124</b>	<b>523,190</b>	<b>475,286</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 81,805</b>	<b>\$ 499,802</b>	<b>\$ 581,607</b>	<b>\$ 523,190</b>

**PEBBLE BEACH VILLAS, INC.**  
**Statement of Cash Flows**  
**For Year Ended December 31,2021**

INCREASE(DECREASE) IN CASH	2021			2020
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Cash Receipts From Assessments	\$ 335,190	\$ 86,571	\$ 421,761	\$ 394,833
Interest Income Received	24	3,586	3,610	5,517
Other Income Received	2,120	0	2,120	2,990
Cash Payments to Vendors and Suppliers	(331,203)	(41,629)	(372,832)	(360,211)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>6,131</u>	<u>48,528</u>	<u>54,659</u>	<u>43,129</u>
<b>NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR</b>	6,131	48,528	54,659	43,129
<b>CASH AT BEGINNING OF YEAR</b>	70,469	451,274	521,743	478,614
<b>CASH AT END OF YEAR</b>	\$ <u>76,600</u>	\$ <u>499,802</u>	\$ <u>576,402</u>	\$ <u>521,743</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	\$ 9,739	\$ 48,678	\$ 58,417	\$ 47,904
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	460	0	460	(259)
Prepaid Expenses	(10,518)	0	(10,518)	5,898
Increase (Decrease) in:				
Accounts Payable	(1,819)	(150)	(1,969)	(331)
Income Taxes Payable	260	0	260	(1,039)
Assessments Received in Advance	8,009	0	8,009	(9,044)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ <u>6,131</u>	\$ <u>48,528</u>	\$ <u>54,659</u>	\$ <u>43,129</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**

Associations may elect to be taxed either as a regular corporation or as community association. For the year ended December 31, 2021, the Association has elected to be taxed as a community 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.

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 2019, 2020, and 2021 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, 2021.

### **Subsequent Events**

Management evaluated the existence of any subsequent events through April 3, 2022, 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, 2021;



**PEBBLE BEACH VILLAS, INC.  
NOTES TO FINANCIAL STATEMENTS**

therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2021.

**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

As required by ASC 606 the accumulated funds, which total \$407,941 as of December 31, 2019 are presented on the accompanying balance sheet as deferred revenue (assessments received in advance-replacement fund).

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	Beginning Balance	Current Year Funding	Current Year		Ending Balance
			Interest	Expended	
Building	49,610	8,049	0	(35,619)	22,040
Recreation	2,728	7,370	0	(585)	9,513
Painting	83,148	8,426	3,586	0	95,160
Paving	47,805	15,274	0	0	63,079
Roofing	267,833	47,452	0	(5,275)	310,010
<b>Total Reserves</b>	<b>451,124</b>	<b>86,571</b>	<b>3,586</b>	<b>(41,479)</b>	<b>499,802</b>

- For the current year, all required reserves were fully funded.
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- **NOTE 4 – ASC 606**
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- It has been determined that ASC 606 – Revenue Recognition (also referred to as “Contracts with Customers”) does not apply to associations since association unit owners are not customers (as defined by ASC 606-10-15-3) and therefore ASC 606 has not been implemented.
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- The Financial Accounting Standards Board (FASB) Supervisor of Revenue Recognition has stated that there is no industry guidance related to ASC 606 and the determination of whether ASC 606 applies is based on the five steps defined in ASU No. 2014-19 (aka ASC 606). A review of the five steps has determined that no customer relationship exists and therefore no “Contract with Customer” exists

Read Independent Accountant's Review Report

## **SUPPLEMENTARY INFORMATION**

**PEBBLE BEACH VILLAS, INC.**  
**Comparison of Actual vs. Budget-Operating**  
**For Year Ended December 31,2021**

	<u>2020</u>		<u>2021</u>		\$ Variance	% Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>		
<b><u>REVENUES</u></b>						
MAINTENANCE ASSESSMENTS	317,556	326,721	326,721	0	0.0%	
INTEREST INCOME	50	24	0	24	0.0%	
LAUNDRY AND OTHER INCOME	2,991	2,120	3,000	(880)	-29.3%	
<b>TOTAL REVENUES</b>	<b>320,597</b>	<b>328,865</b>	<b>329,721</b>	<b>(856)</b>	<b>-0.3%</b>	
<b><u>EXPENSES:</u></b>						
<b>ADMINISTRATIVE</b>						
CPA REVIEW REPORT	1,750	1,750	1,750	0	0.0%	
CORPORATE/CONDO FEES	349	349	349	0	0.0%	
INSURANCE	105,012	112,668	115,122	2,454	2.1%	
INCOME TAXES	0	260	500	240	48.0%	
LEGAL FEES	4,804	2,564	3,000	436	14.5%	
MANAGEMENT FEES	22,566	23,694	23,694	0	0.0%	
POSTAGE/OFFICE SUPPLIES/COPIES	5,405	3,622	2,800	(822)	-29.4%	
TELEPHONE	1,318	1,320	1,400	80	5.7%	
Total · ADMINISTRATIVE	<u>141,204</u>	<u>146,227</u>	<u>148,615</u>	<u>2,388</u>	<u>1.6%</u>	
<b>BUILDING OPERATIONS:</b>						
BUILDING MAINTENANCE AND REPAIRS	9,868	9,432	10,300	868	8.4%	
PEST CONTROL-BUILDINGS	6,508	6,923	6,500	(423)	-6.5%	
CLEANING LABOR	4,000	4,100	5,000	900	18.0%	
BUILDING MAINTENANCE/CLEANING LABOR	31,985	35,537	37,568	2,031	5.4%	
Total · BUILDING OPERATIONS	<u>52,361</u>	<u>55,992</u>	<u>59,368</u>	<u>3,376</u>	<u>5.7%</u>	
<b>GROUNDS/LANDSCAPE CARE:</b>						
LANDSCAPE MAINTENANCE	30,924	30,924	31,800	876	2.8%	
IRRIGATION SUPPLIES/ REPAIRS	2,614	2,572	3,600	1,028	28.6%	
IRRIGATION WATER	3,514	3,950	4,000	50	1.3%	
LANDSCAPE REPLACEMENT AND MULCH	15,289	6,730	5,400	(1,330)	-24.6%	
WEED, PEST AND FERTILIZATION	5,450	5,550	5,300	(250)	-4.7%	
TREE TRIMMING AND PRUNING	7,543	8,484	7,000	(1,484)	-21.2%	
Total · GROUNDS/LANDSCAPE CARE:	<u>65,334</u>	<u>58,210</u>	<u>57,100</u>	<u>(1,110)</u>	<u>-1.9%</u>	
<b>RECREATION FACILITIES:</b>						
CLUBHOUSE SERVICE AND REPAIRS	1,715	741	3,000	2,259	75.3%	
POOL SUPPLIES AND REPAIRS	2,420	2,444	3,000	556	18.5%	
TENNIS COURT REPAIRS	1,764	86	600	514	85.7%	
Total · RECREATION FACILITIES	<u>5,899</u>	<u>3,271</u>	<u>6,600</u>	<u>3,329</u>	<u>50.4%</u>	

**PEBBLE BEACH VILLAS, INC.**  
**Comparison of Actual vs. Budget-Operating**  
**For Year Ended December 31,2021**

	2020		2021		
	<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	8,729	8,904	9,200	296	3.2%
TRASH REMOVAL	10,149	9,828	11,700	1,872	16.0%
WATER AND SEWER	25,238	24,600	26,000	1,400	5.4%
Total · UTILITIES	44,116	43,332	46,900	3,568	7.6%
<b>OTHER:</b>					
CONTINGENCY	968	2,388	4,000	1,612	40.3%
Total · OTHER	968	2,388	4,000	1,612	40.3%
<b>LAUNDRY:</b>					
	5,994	9,706	3,000	(6,706)	-223.5%
<b>TOTAL EXPENSES</b>	315,876	319,126	325,583	6,457	2.0%
<b>NET SURPLUS (DEFICIT)</b>	4,721	9,739	4,138	5,601	

**PEBBLE BEACH VILLAS ,INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**December 31, 2021**

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.

Estimated Useful Life in

<u>Component</u>	<u>Full Life</u>	<u>Years Remaining</u>	<u>Requirements</u>			<u>Replacement Fund Balance At 12/31/2021</u>
			<u>Estimated Current Replacement Cost</u>	<u>Full Funding</u>	<u>Budgeted 2022 Full Funding</u>	
Roofing	20	6	\$ 600,000	\$ 48,402	\$ 48,402	\$ 310,010
Buildings	20	9	200,000	20,295	20,295	22,040
Paving	25	7	170,000	15,274	15,274	63,079
Painting	7	1	100,000	8,426	8,426	95,160
Recreation	20	7	150,000	20,070	20,070	9,513
<b>Totals</b>			<u>1,220,000</u>	<u>112,467</u>	<u>112,467</u>	<u>499,802</u>