

VILLAS DE GOLF ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Villas De Golf Association, Inc.
Largo, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Villas De Golf Association, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Villas De Golf Association, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Villas De Golf Association, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in replacement fund, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



BASHOR & LEGENDRE, LLP
Certified Public Accountants
Tampa, Florida

April 10, 2019

VILLAS DE GOLF ASSOCIATION, INC.

BALANCE SHEET

AS OF DECEMBER 31, 2018

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 133,508	\$ 709,047	\$ 842,555
Assessments receivable-net	1,045	-	1,045
Prepaid expenses	46,445	-	46,445
Total Assets	<u>\$ 180,998</u>	<u>\$ 709,047</u>	<u>\$ 890,045</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 13,221	\$ -	\$ 13,221
Taxes payable	4,455	-	4,455
Prepaid assessments	4,790	-	4,790
Total Liabilities	22,466	-	22,466
Fund Balances	<u>158,532</u>	<u>709,047</u>	<u>867,579</u>
Total Liabilities and Fund Balances	<u>\$ 180,998</u>	<u>\$ 709,047</u>	<u>\$ 890,045</u>

The accompanying notes are an integral part of these financial statements.

VILLAS DE GOLF ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Regular assessments	\$ 325,658	\$ 252,718	\$ 578,376
Other income	1,046	-	1,046
Interest income	990	22,631	23,621
Total Revenues	<u>327,694</u>	<u>275,349</u>	<u>603,043</u>
<u>EXPENSES</u>			
Cable	44,110	-	44,110
General and administrative	37,676	-	37,676
Insurance	98,371	-	98,371
Repairs and maintenance	196,114	-	196,114
Taxes	4,455	-	4,455
Utilities	109,066	-	109,066
Replacement expenses	-	26,942	26,942
Total Expenses	<u>489,792</u>	<u>26,942</u>	<u>516,734</u>
<u>EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES</u>	(162,098)	248,407	86,309
<u>BEGINNING FUND BALANCES</u>	220,200	561,070	781,270
Transfer of funds	<u>100,430</u>	<u>(100,430)</u>	<u>-</u>
<u>ENDING FUND BALANCES</u>	<u>\$ 158,532</u>	<u>\$ 709,047</u>	<u>\$ 867,579</u>

The accompanying notes are an integral part of these financial statements.

VILLAS DE GOLF ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess/(Deficit) of Revenues over Expenses	\$ (162,098)	\$ 248,407	\$ 86,309
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash from operating activities:			
(Increase) Decrease in:			
Assessments receivable	(411)	-	(411)
Prepaid expenses	(2,059)	-	(2,059)
Increase (Decrease) in:			
Accounts payable	7,240	-	7,240
Taxes payable	4,455	-	4,455
Prepaid assessments	432	-	432
Net Cash from Operating Activities	(152,441)	248,407	95,966
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Transfer of funds	100,430	(100,430)	-
<u>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(52,011)	147,977	95,966
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	185,519	561,070	746,589
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 133,508</u>	<u>\$ 709,047</u>	<u>\$ 842,555</u>

The accompanying notes are an integral part of these financial statements.

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION

Description of Business

Villas De Golf Association, Inc. ("Association") was incorporated on October 25, 1972 as a corporation, not-for-profit, under the terms and provisions of Chapter 617, Florida Statutes. The Association, which operates under Florida Statute 718, is responsible for the operation and maintenance of the common property within the development. The development consists of 174 residential units located in Largo, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors ("Board"). Disbursements from the replacement fund generally may be made only for designated purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. The Association recognizes personal property assets at cost. The property is depreciated over its estimated useful life using the accelerated method of depreciation.

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are seriously delinquent. Any excess assessments at year end are retained by the Association for use in future years.

Interest Earned

The Association's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest bearing deposits of each fund.

Fair Value of Financial Instruments

The Association's financial instruments consist primarily of cash and cash equivalents, assessments receivable, accounts payable and taxes payable. The carrying amounts of such financial instruments approximate their respective estimated fair values due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair values are not necessarily indicative of the amounts the Association would realize in a current market exchange or from future earnings or cash flows.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 period. Actual results could differ from those estimates.

Subsequent Events

The date to which events occurring after the balance sheet date have been evaluated for possible adjustment to the financial statements or disclosure is April 10, 2019, which is the date on which the financial statements were available to be issued.

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ASSESSMENTS RECEIVABLE

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are seriously delinquent. As of December 31, 2018, the Association had net assessments receivable of \$1,045. It is the opinion of the Board that an allowance for doubtful accounts of \$8,621 is needed at December 31, 2018 to cover anticipated losses from doubtful accounts.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide certain guidelines for governing its financial activities. The Association maintains an operating fund available for general operations and a replacement fund designated for future major repair and replacements. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Board, in conjunction with outside consultants, conducted a formal study in April 2018, to estimate the remaining useful lives and replacement costs of the components of common property. The table included in the supplementary information on Future Major Repairs and Replacements is based on the formal study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirements have been included in the next year's budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

VILLAS DE GOLF ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - OWNERS' ASSESSMENTS

Monthly assessments to owners were approximately \$199 to \$377 per unit, based on each unit's percent of ownership, for 2018. Of these amounts, approximately \$87 to \$165 was designated for the replacement fund.

The annual budget and assessments of owners are determined by the Board. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

NOTE 6 - INCOME TAXES

Condominium associations may be taxed either as homeowners associations or as regular corporations. For the year ended December 31, 2018, the Association elected to be taxed as a homeowners association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings. Exempt function income, which consists primarily of member assessments, is not taxable.

NOTE 7 - INSURANCE DEDUCTIBLE

Although insurance coverage has been obtained for damage caused by windstorm, the deductible is typically three percent (3%) to five percent (5%) of the insured value for hurricane and wind. The Association is therefore responsible for losses up to this amount and has the right to increase its assessments, levy a special assessment, or delay repairs until such funds are available.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Association maintains accounts with financial institutions. Accounts at each institution are insured subject to FDIC limits. At December 31, 2018, the Association's uninsured cash balances total \$26,598.

SUPPLEMENTARY INFORMATION

VILLAS DE GOLF ASSOCIATION, INC.
SCHEDULE OF CHANGES IN REPLACEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

(unaudited)

The balances of the components of the replacement fund at December 31, 2018 are as follows:

Components	Balance 01/01/18	Additions to Fund	Charges to Fund	Transfers	Balance 12/31/18
Painting	\$ 81,916	\$ 15,000	\$ -	\$ -	\$ 96,916
Roofing	286,051	65,000	(1,650)	-	349,401
Pavement	19,336	3,000	-		22,336
Pool	-	1,500	(925)		575
Landscaping	450	5,000	(3,375)		2,075
Structural buildings	1,208	1,000	-		2,208
Walkways/stairways	3,013	1,000	-		4,013
Carport paint & replace	13,864	718		(6,210)	8,372
Sewer	3,641	2,500	-	-	6,141
Elevator	32,179	2,000			34,179
Rec/maint/clubhouse	5,087	1,000			6,087
Laundry rooms, washer/dryer	1,250	8,500	(3,984)	6,210	11,976
Insurance	64,982	104,000		(100,430)	68,552
Fire alarm system	35,200	500		-	35,700
Deferred maintenance	12,606	42,000	(17,008)	-	37,598
Interest	287	22,631	-	-	22,918
	<u>\$561,070</u>	<u>\$275,349</u>	<u>\$ (26,942)</u>	<u>\$ (100,430)</u>	<u>\$ 709,047</u>

VILLAS DE GOLF ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(unaudited)

The Board, in conjunction with outside consultants, conducted a formal study in April 2018, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The study does not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The study takes into account a threshold funding amount of approximately \$108,862.

The following table is based on the study and presents significant information about the components of common property:

Components	Estimated Lives	Estimated Remaining Lives	Estimated Current Replacement Costs	2019 Required Funding	2019 Proposed Budgeted Funding
Painting	5-12	2-3	\$ 136,880	\$ -	\$ -
Roofing	15-20	2-14	846,800	-	-
Pavement	3-20	1-6	133,975	-	-
Pool	8-65	2-16	184,475	-	-
Walkways/stairways	5-60	3-14	335,900	-	-
Carport paint & replace	30	26	371,250	-	-
Sewer	85	4	20,000	-	-
Elevator	45	3	186,000	-	-
Rec/maint/clubhouse	12-45	4-20	96,000	-	-
Laundry rooms, washer/dryer	10	10	50,400	-	-
Fire alarm system	25	6	40,000	-	-
Deferred maintenance	2-80	1-19	206,500	-	-
Pooled	N/A	N/A	-	174,000	174,000
			<u>\$2,608,180</u>	<u>\$ 174,000</u>	<u>\$ 174,000</u>