

**SOUTH WIND VILLA HOMEOWNERS
ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2011



cannon&company
Certified Public Accountants L.L.P.

To the Members
South Wind Villas Homeowners Association
Winston-Salem, North Carolina

We have compiled the accompanying balance sheet of South Wind Villas Homeowners Association as of December 31, 2011, and the related statements of revenues and expenses and changes in fund balances and cash flows for the year then ended, and the accompanying supplementary information containing the 2011 budget which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary schedules.

Cannon & Company, L.L.P.

April 18, 2012

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SOUTH WIND VILLA HOMEOWNERS ASSOCIATION**BALANCE SHEET**

December 31, 2011

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 15,439	\$ -	\$ -	\$ 15,439
Accounts receivable, homeowners	7,272	-	-	7,272
Due from operating fund		2,764	514	3,278
Prepaid insurance	3,469	-	-	3,469
Property and equipment	<u>140</u>	<u>-</u>	<u>-</u>	<u>140</u>
TOTAL CURRENT ASSETS	<u>26,320</u>	<u>2,764</u>	<u>514</u>	<u>29,598</u>
 TOTAL ASSETS	<u><u>\$ 26,320</u></u>	<u><u>\$ 2,764</u></u>	<u><u>\$ 514</u></u>	<u><u>\$ 29,598</u></u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Due to replacement fund	\$ 2,764	\$ -	\$ -	\$ 2,764
Due to equipment fund	<u>514</u>	<u>-</u>	<u>-</u>	<u>514</u>
TOTAL CURRENT LIABILITIES	<u>3,278</u>	<u>-</u>	<u>-</u>	<u>3,278</u>
FUND BALANCES	<u>23,042</u>	<u>2,764</u>	<u>514</u>	<u>26,320</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 26,320</u></u>	<u><u>\$ 2,764</u></u>	<u><u>\$ 514</u></u>	<u><u>\$ 29,598</u></u>

See accompanying notes and independent accountants' compilation report.

SOUTH WIND VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
REVENUES				
Dues	<u>\$ 216,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,217</u>
TOTAL REVENUES	<u>216,217</u>	<u>-</u>	<u>-</u>	<u>216,217</u>
EXPENSES				
Accounting	2,100	-	-	2,100
Bank fees	550	-	-	550
Bond	626	-	-	626
Common area repair	20,226	-	-	20,226
Computer	149	-	-	149
Depreciation	93	-	-	93
Dues assessment	150	-	-	150
Garbage	7,845	-	-	7,845
Grounds maintenance	32,030	-	-	32,030
Gutter cleaning/repair	1,680	-	-	1,680
Insurance	29,449	-	-	29,449
Legal fees	1,524	-	-	1,524
Management fees	16,480	-	-	16,480
Miscellaneous	499	-	-	499
Office expense	1,644	-	-	1,644
Pest control	15,564	-	-	15,564
Plumbing repairs	8,284	-	-	8,284
Pool maintenance	7,523	-	-	7,523
Roofing repairs	6,733	-	-	6,733
Security	6,210	-	-	6,210
Suplies	84	-	-	84
Taxes and licenses	304	-	-	304
Telephone	375	-	-	375
Tree service	1,200	-	-	1,200
Utilties	12,409	-	-	12,409
Water and sewer	41,061	-	-	41,061
TOTAL EXPENSES	<u>214,792</u>	<u>-</u>	<u>-</u>	<u>214,792</u>
EXCESS REVENUES OVER (UNDER)				
EXPENSES BEFORE OTHER INCOME	<u>1,425</u>	<u>-</u>	<u>-</u>	<u>1,425</u>
OTHER INCOME (EXPENSE)				
Interest	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>

See accompanying notes and independent accountants' compilation report.

SOUTH WIND VILLA HOMEOWNERS ASSOCIATION**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES**

For the Year Ended December 31, 2011

	<u>Operating</u>	<u>Replacement</u>	<u>Equipment</u>	<u>Total</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	1,459	-	-	1,459
BEGINNING FUND BALANCES	<u>21,583</u>	<u>2,764</u>	<u>514</u>	<u>24,861</u>
ENDING FUND BALANCES	<u>\$ 23,042</u>	<u>\$ 2,764</u>	<u>\$ 514</u>	<u>\$ 26,320</u>

See accompanying notes and independent accountants' compilation report.

SOUTH WIND VILLA HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Fund Balance	\$ 1,459
Adjustments to reconcile increase in fund balance to net cash provided by operating activities:	
Depreciation	93
Changes in:	
Accounts receivable	<u>(4,172)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(2,620)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>-</u>
NET DECREASE IN CASH	(2,620)

CASH AT BEGINNING OF YEAR	<u>18,059</u>
CASH AT END OF YEAR	<u><u>\$ 15,439</u></u>

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

South Wind Villas Homeowners Association (the “Association”) is a nonprofit corporate organization in the State of North Carolina. Its primary purposes are the operation and maintenance of the common property of South Wind Villa Condominiums. The Association consists of 162 residential units located on Teague Road in Winston-Salem, North Carolina.

Use of 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.

Fund Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities by using fund accounting. The Association uses two classifications for maintaining its financial resources according to their nature and purpose:

Operating fund: This fund is used to account for financial resources available for the general operations of the Association.

Capital improvements fund: This fund is used to accumulate financial resources designated for capital improvements, equipment and future major repairs and replacements.

Cash and Cash Equivalents

The Association considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Association records accounts receivables at the amount management expects to collect from outstanding balances at year-end. Management closely monitors outstanding balances and dues received from individual unit owners.

SOUTH WIND VILLAS HOME OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Association does not record the real property and common areas acquired from the developer in the financial statements because the individual unit owners own those properties in common.

Income Taxes

Homeowners associations may elect to be taxed as regular corporations or as homeowners associations. For the year ended December 31, 2011, the Association has elected to be taxed as a homeowners association.

Subsequent Events

Management has evaluated subsequent events through April 18, 2012, the date the financial statements were available to be issued.

NOTE B – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Board of Directors has also not developed a plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to borrow funds, increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

SUPPLEMENTARY INFORMATION

SOUTH WIND VILLA HOMEOWNERS ASSOCIATION**PROPOSED BUDGET**

For the Year Ended December 31, 2011

	<u>Operating</u>
REVENUES	
Dues	<u>\$ 213,840</u>
TOTAL REVENUES	<u>213,840</u>
EXPENSES	
Accounting	2,200
Common area repair and maintenance	36,500
Electric	12,250
Grounds maintenance	32,400
Insurance	33,500
Management fees	14,100
Office	2,500
Pest control	8,800
Plumbing and electrical repairs	6,000
Pool maintenance	6,500
Property Taxes	306
Telephone	300
Water and sewer	45,039
Trash collection	7,950
Security	6,180
TOTAL EXPENSES	<u>214,525</u>
EXCESS REVENUES OVER EXPENSES BEFORE TRANSFER TO INVESTMENT ACCOUNT	(685)
TRANSFER TO INVESTMENT ACCOUNT	<u>(15,000)</u>
EXCESS REVENUES OVER EXPENSES	<u>\$ (15,685)</u>