

**VILLAGE WALK SOUTH OF VERO BEACH
HOMEOWNERS ASSOCIATION, INC.**

**Financial Statements and Supplemental Information
with
Independent Accountants' Review Report**

December 31, 2013
(With Comparative Totals for 2012)

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Village Walk South of Vero Beach Homeowners Association, Inc.
 Balance Sheet
 December 31, 2013
 (With comparative totals for 2012)

	2013			2012
	Operating Fund	Replacement Fund	Total	Total (memo only)
Assets				
Cash	\$ 52,016	\$ 366,186	\$ 418,202	\$ 327,472
Assessments receivable, net of allowance for doubtful accounts of \$19,000	21,940	-	21,940	28,176
Prepaid insurance	3,032	-	3,032	2,728
Interfund borrowings	(14,786)	14,786	-	-
	\$ 62,202	\$ 380,972	\$ 443,174	\$ 358,376
Liabilities and Fund Balance				
Prepaid assessments	\$ 5,589	\$ -	\$ 5,589	\$ 2,731
	5,589	-	5,589	2,731
Fund Balance	56,613	380,972	437,585	355,645
	\$ 62,202	\$ 380,972	\$ 443,174	\$ 358,376

See independent accountants' review report and accompanying notes to financial statements.

Village Walk South of Vero Beach Homeowners Association, Inc.
Statement of Revenues and Expenses and Changes in Operating Fund Balances
Year ended December 31, 2013
 (With comparative totals for 2012)

	2013			2012
	Operating Fund	Replacement Fund	Total	Total (memo only)
Revenues				
Regular assessments	\$ 157,518	\$ 68,004	\$ 225,522	\$ 225,522
Interest and other income	972	378	1,350	10,959
	158,490	68,382	226,872	236,481
Expenses				
General and administrative	30,492	-	30,492	25,182
Building operations	14,818	-	14,818	15,504
Grounds and maintenance	76,015	-	76,015	76,563
Recreational facilities	3,351	-	3,351	9,202
Utilities	11,800	-	11,800	10,513
Miscellaneous	8,456	-	8,456	6,205
	144,932	-	144,932	143,169
Excess of revenues over expenses	13,558	68,382	81,940	93,312
Fund Balance, beginning of year	43,055	312,590	355,645	262,333
Fund Balance, end of year	\$ 56,613	\$ 380,972	\$ 437,585	\$ 355,645

See independent accountants' review report and accompanying notes to financial statements.

Village Walk South of Vero Beach Homeowners Association, Inc.
Statement of Cash Flows
Year ended December 31, 2013
(With comparative totals for 2012)

	2013			2012
	Operating Fund	Replacement Fund	Total	Total (memo only)
Cash flows from operating activities:				
Assessments collected	\$ 166,612	\$ 68,004	\$ 234,616	\$ 215,958
Interest and other income received	972	378	1,350	10,959
Cash paid for expenditures	(145,236)	-	(145,236)	(143,904)
Net cash provided by operating activities	22,348	68,382	90,730	83,013
Cash flows from financing activities:				
Interfund borrowings	1,409	(1,409)	-	-
Net increase in cash	23,757	66,973	90,730	83,013
Cash, beginning of year	28,259	299,213	327,472	244,459
Cash, end of year	\$ 52,016	\$ 366,186	\$ 418,202	\$ 327,472
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:				
Excess of revenues over expenses	\$ 13,558	\$ 68,382	\$ 81,940	\$ 93,312
Adjustments:				
(Increase) decrease in:				
Assessments receivable	6,236	-	6,236	(7,019)
Prepaid insurance	(304)	-	(304)	(735)
Increase (decrease) in:				
Prepaid assessments	2,858	-	2,858	(2,545)
Net cash provided by operating activities	\$ 22,348	\$ 68,382	\$ 90,730	\$ 83,013

See independent accountants' review report and accompanying notes to financial statements.

Village Walk South of Vero Beach Homeowners Association, Inc.
Notes to Financial Statements

Note 1 – Nature of Organization

Village Walk South of Vero Beach Homeowners Association, Inc. (the Association) was incorporated under the laws of the State of Florida on May 16, 2002. The Association is responsible for the operation and maintenance of the common property of the development, which consists of 102 lots located in Vero Beach, Florida.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting.

Fund Accounting

The Association presents separate funds based on its different funding policies for operations and capital replacements.

The operating fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures of this fund are limited to those connected with the day-to-day operations and the replacements, major repairs and the purchase of additional commonly owned assets for which no replacement fund component has been established. The income and expenses of the Association are allocated to the lot owners based on the number of lots.

The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements and major repairs of certain commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

All assessments receivable and prepaid assessments are deemed due to or from the operating fund. The Association's policy is to fund fully within the replacement funds each month without regard to underpayments or overpayments by members to the operating fund.

Excess Operating Funds

The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

Common Property

Ownership of commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements.

Accounting 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.

Fair Value of Financial Instruments

The financial position of the Association at December 31, 2013, includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial statements of the Association, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value.

The carrying amounts of the Association's financial instruments generally approximate their fair values at December 31, 2013.

Subsequent Events

Management has evaluated subsequent events through February 16, 2014, the date the financial statements were available to be issued.

Village Walk South of Vero Beach Homeowners Association, Inc.

Notes to Financial Statements (continued)

Note 3 – Cash Balances

Financial instruments which potentially subject the Association to a concentration of credit risk include cash held at financial institutions, which may exceed FDIC insurance limits or be subject to risks associated within the underlying securities. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash balances.

Note 4 – Income Taxes

The Association has elected to be treated as a homeowners association for income tax purposes. Under this provision the Association is taxed on its nonexempt function income in excess of \$100, such as interest income, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

Accounting principles generally accepted in the United States of America require the Board of Directors to evaluate tax positions taken by the Association and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Board of Directors has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2013, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Board of Directors believes it is no longer subject to income tax examinations for years prior to 2010.

Note 5 – Assessments Receivable

Assessments receivable are stated net of an allowance for doubtful accounts. Due to the current economic environment, the Association estimates an allowance based on an analysis of the collectability of unit owner accounts; taking into consideration certain factors, such as the age of past due amounts, an assessment of the unit owner's ability to pay, lien and foreclosure status, legal fees and Florida mandated collection liability limits. The allowance for doubtful accounts for assessments receivable was approximately \$19,000 at December 31, 2013.

Note 6 – Future Major Repairs and Replacements

The Association accumulates funds for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

In connection with preparing the budget, the Board of Directors had a study conducted on January 22, 2008, to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information on future major repairs and replacements is based on the 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 requirement of \$70,200 has been included in the 2014 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 replacements until funds are available.

SUPPLEMENTAL INFORMATION

Village Walk South of Vero Beach Homeowners Association, Inc.
Schedule of Operating Fund Revenues and Expenses

Year ended December 31,	2013			2012
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
		(Compiled)	(Compiled)	
Revenues				
Regular assessments	\$ 157,518	\$ 157,518	\$ -	\$ 157,518
Interest and other income	972	-	972	10,606
	158,490	157,518	972	168,124
Expenses				
General and Administrative:				
Professional fees	3,475	4,000	525	2,221
Bank/returned check charges	720	-	(720)	97
Corporate/condominium fees	131	70	(61)	70
Estopple fee	375	-	(375)	-
Insurance	3,906	4,000	94	4,225
Management contract fees	20,075	20,000	(75)	17,613
Bonus	1,000	-	(1,000)	300
Office supplies, postage and copies	810	1,000	190	656
Income taxes	-	300	300	-
	30,492	29,370	(1,122)	25,182
Building Operations:				
Building maintenance	1,313	1,000	(313)	594
Cleaning labor	1,530	1,800	270	1,330
Contractor repairs	9,696	5,000	(4,696)	2,881
Gate/entry phones	229	1,500	1,271	860
Gates/service/repairs	800	500	(300)	960
Deferred maintenance project	1,250	10,000	8,750	8,879
	14,818	19,800	4,982	15,504
Grounds and Maintenance:				
Fertilization	-	-	-	9,212
Irrigation maintenance	4,507	-	(4,507)	7,702
Grounds contract	59,800	60,000	200	50,198
Landscape extras	9,958	7,500	(2,458)	6,901
Wetland/retention maintenance	1,750	1,000	(750)	2,550
	76,015	68,500	(7,515)	76,563

Village Walk South of Vero Beach Homeowners Association, Inc.
Schedule of Operating Fund Revenues and Expenses (continued)
Year ended December 31, 2013

Year ended December 31,	2013			2012
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
		(Compiled)	(Compiled)	
Recreational Facilities:				
Pool maintenance contract/permits	2,530	2,300	(230)	2,239
Pool/clubhouse supplies	821	1,500	679	6,963
	3,351	3,800	449	9,202
Utilities:				
Irrigation pump	-	1,800	1,800	1,307
Pool/clubhouse/common area	11,800	14,250	2,450	9,206
	11,800	16,050	4,250	10,513
Miscellaneous:				
Contingency	1,156	9,725	8,569	1,505
Bad debt expense	7,300	10,273	2,973	4,700
	8,456	19,998	11,542	6,205
	144,932	157,518	12,586	143,169
Excess of revenues over expenses	\$ 13,558	\$ -	\$ 13,558	\$ 24,955

See independent accountants' review report.

Village Walk South of Vero Beach Homeowners Association, Inc.
 Schedule of Changes in Replacement Fund Balances
 Year ended December 31, 2013

Component	Beginning Fund Balance	Additions to Fund	Charges to Fund	Ending Fund Balance
Deferred maintenance fund	\$ 312,590	\$ 68,382	\$ -	\$ 380,972

See independent accountants' review report.

Village Walk South of Vero Beach Homeowners Association, Inc.
Supplemental Information on Future Major
Repairs and Replacements (Compiled)

In connection with preparing the budget, the Board of Directors had a study conducted on January 22, 2008, to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The following table is based on the study and presents significant information about the components of common property:

Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2014 Full Funding Requirement	Components of Fund Balance at 12/31/2013
Grounds	1-15 years	\$ 25,000	\$ -	\$ -
Site drainage	1-15 years	40,000	-	-
Asphalt surfaces	5 years	92,400	-	-
Concrete surfaces	15 years	20,000	-	-
Site lighting	15 years	17,580	-	-
Site fence	15 years	27,020	-	-
Site miscellaneous	15 years	2,000	-	-
Community building	15 years	40,000	-	-
Swimming pool	1-15 years	27,140	-	-
Roofing	15 years	1,259,700	-	-
Building miscellaneous	15 years	2,000	-	-
Uninsured losses	-	20,000	-	-
Modernization	-	2,000	-	-
Deferred maintenance fund	-	-	-	380,972
Pooled funding requirement		\$ 1,574,840	\$ 70,200	\$ 380,972

See independent accountants' review report.