

Key Vista Master
Homeowners Association, Inc.

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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LOWERY, WELDON & COMPANY, CPAs, P.A.

certified public accountants



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Khanh T. Lowery, CPA
Robert M. Weldon, CPA

Independent Auditor's Report

To the Board of Directors of Key Vista Master Homeowners Association, Inc.

We have audited the accompanying financial statements of Key Vista Master Homeowners Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2015 and the related statements of revenue, 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.

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 Key Vista Master Homeowners Association, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year end ended in conformity with accounting principles generally accepted in the United States of America.

Lowery, Weldon & Company, CPAs, P.A.
August 5, 2016

**Key Vista Master
Homeowners Association, Inc.**
BALANCE SHEET
DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Equivalents	\$ 306,598	\$1,156,479	\$1,463,077
Investments in CD's	222,735	277,642	500,377
Assesments Receivable, net of for Doubtful Accounts of \$104,721	58,326		58,326
Miscellaneous Receivable	629		629
Interfund Loans	(6,817)	6,817	
Prepaid Income Tax	<u>7,253</u>		<u>7,253</u>
	588,724	1,440,938	2,029,662
Property, Plant and Equipment, Net	32,516	-	32,516
Other Assets:			
Refundable Deposits	<u>4,805</u>	<u>-</u>	<u>4,805</u>
	<u>4,805</u>	<u>-</u>	<u>4,805</u>
	<u>\$ 626,045</u>	<u>\$1,440,938</u>	<u>\$2,066,983</u>

LIABILITIES AND FUND BALANCE

Current Liabilities:			
Accounts Payable	\$ 9,991		\$ 9,991
Accrued Expenses	23,041		23,041
Prepaid Assessments	<u>43,188</u>		<u>43,188</u>
	76,220		76,220
Fund Balance	<u>549,825</u>	<u>1,440,938</u>	<u>1,990,763</u>
	<u>\$ 626,045</u>	<u>\$1,440,938</u>	<u>\$2,066,983</u>

See accompanying notes and independent accountants' review report.

**Key Vista Master
Homeowners Association, Inc.**

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
Revenue:			
Assessments	\$ 831,091	\$ 167,428	\$ 998,519
Operating Expenses:			
Contingency	3,700		3,700
Security System	3,704		3,704
Clubhouse Payroll Expense	128,623		128,623
Janitorial	3,064		3,064
Rust Control	9,405		9,405
Street Maint. & Sweeping	2,125		2,125
Cable Services	282,227		282,227
Telephone	8,942		8,942
RV Lot Expenses	3,261		3,261
Bank Charges	265		265
Corp. Annual Report	61		61
Community Events	7,663		7,663
Management Fees	45,923		45,923
Administrative Expense	36,743		36,743
Office Supplies	6,851		6,851
Depreciation Expense	3,714		3,714
Taxes - Property	1,654		1,654
Bad Debt Expense	4,506		4,506
Insurance	17,021		17,021
Landscaping and Grounds Expenses	178,799		178,799
Pool Expenses	19,717		19,717
Professional Fees	9,580		9,580
Utilities	35,908		35,908
Waterway & Wetland Expenses	23,720		23,720
Repairs and Replacements	<u>85,220</u>		<u>85,220</u>
Total Operating Expenses	922,396		922,396
Excess of (Expenses over Revenue)/Revenue over Expenses before Other Revenue	<u>(91,305)</u>	<u>167,428</u>	<u>76,123</u>
Other Revenue (Expenses):			
Interest Income	1,276	2,246	3,522
Storage Lot Income	19,906		19,906
Service Fees and Late Fees	2,088		2,088
Rental Income	2,350		2,350
Other Income	<u>9,178</u>		<u>9,178</u>
Total Other Revenue (Expenses)	<u>34,798</u>	<u>2,246</u>	<u>37,044</u>

See accompanying notes and independent accountants' review report.

Key Vista Master
Homeowners Association, Inc.
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
Excess of Revenue over Expenses	(56,507)	169,674	113,167
Fund Balance, Beginning of Year	582,452	1,295,144	1,877,596
Interfund Transfers	<u>23,880</u>	<u>(23,880)</u>	<u> </u>
Fund Balance, End of Year	<u>\$ 549,825</u>	<u>\$ 1,440,938</u>	<u>\$ 1,990,763</u>

**Key Vista Master
Homeowners Association, Inc.**
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received from Residents	\$ 893,754	\$ 167,428	\$ 1,061,182
Cash Received from Others	33,522		33,522
Cash Received from Interest	1,370	2,246	3,616
Cash Paid to Employees and Suppliers	<u>(927,467)</u>	<u> </u>	<u>(927,467)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,179</u>	<u>169,674</u>	<u>170,853</u>
Cash Flows from Financing Activities:			
Purchase of Exercise Equipment	(23,880)		(23,880)
Interfund Loans	6,817	(6,817)	0
Interfund Transfers	<u>23,880</u>	<u>(23,880)</u>	<u>0</u>
Net Cash Flows Used by Financing Activities	<u>6,817</u>	<u>(30,697)</u>	<u>(23,880)</u>
Cash Flows from Investing Activities:			
Increase in Refundable Deposits	(100)		(100)
(Investment in) Redemption of CD's	<u>(100,805)</u>	<u>(1,182)</u>	<u>(101,987)</u>
Net Cash Flows Provided (Used) by Financing Activities	<u>(100,905)</u>	<u>(1,182)</u>	<u>(102,087)</u>
Net Increase (Decrease) in Cash	(92,909)	137,795	44,886
Cash and Equivalents, Beginning of Year	<u>399,507</u>	<u>1,018,684</u>	<u>1,418,191</u>
Cash and Equivalents, End of Year	<u>\$ 306,598</u>	<u>\$ 1,156,479</u>	<u>\$ 1,463,077</u>

Continued on following page:

Key Vista Master
Homeowners Association, Inc.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
Reconciliation of Revenue over Expenses to Net Cash Provided by Operating Activities:			
Excess of Revenue over Expenses	\$ (56,507)	\$ 169,674	\$ 113,167
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities			
Depreciation	3,714		3,714
Allowance for Bad Debts	(12,656)		(12,656)
Changes in Assets and Liabilities:			
Decrease in Assessments Receivable	44,354		44,354
Increase in Miscellaneous Receivable	(629)		(629)
Decrease in Interest Receivable	94		94
Increase in Prepaid Income Tax	(3,726)		(3,726)
Increase in Accounts Payable and Accrued Expenses	8,226		8,226
Increase in Prepaid Assessments	<u>18,309</u>	<u> </u>	<u>18,309</u>
Cash Provided (Used) by Operating Activities	<u>\$ 1,179</u>	<u>\$ 169,674</u>	<u>\$ 170,853</u>
Supplemental Disclosures:			
Income Tax Paid	<u>\$ 3,726</u>		
Interest Paid	<u>\$ 0</u>		

See accompanying notes and independent accountants' review report.

**Key Vista Master
Homeowners Association, Inc.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A – NATURE OF ORANIZATION

Key Vista Master Homeowners Association, Inc. (the Association) is a statutory condominium association incorporated in the State of Florida on July 18, 2000. The Association is responsible for the operation and maintenance of the common property within the Key Vista subdivisions. The development consists of 718 residential units located in Holiday, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. 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 designed for future major repairs and replacements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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. Any excess assessments at year-end are retained by the Association for use in future years.

Assessments Receivable

Assessments receivable are presented at face value, net of an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions.

**Key Vista Master
Homeowners Association, Inc.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method over 5 to 7 years.

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.

Interest Income

Interest income is allocated to the Operating and Replacement Funds in proportion to the interest-bearing deposits of each fund.

NOTE C – CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash balances in six financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015 the Association's uninsured cash balance is \$586,889.

NOTE D – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at December 31, 2015:

Furniture, Equipment and Shed	\$ 38,804
Less Accumulated Depreciation	<u>(6,288)</u>
	<u>\$ 32,516</u>

Depreciation expense for the year ended December 31, 2015 is \$3,714.

**Key Vista Master
Homeowners Association, Inc.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2015, the Association was taxed as a regular corporation and filed Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2013, 2014, and 2015 remain open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$1,440,938 (net of liabilities) at December 31, 2015, are held in separate accounts and are not generally available for operating purposes.

In 2014, a reserve study was performed by Reserve Advisors, Inc., estimating the remaining useful lives and current replacements costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components.

The Board is funding for these major repairs and replacements based on the reserve study; however, actual future expenditures may vary from the estimated future expenditures, and the funds may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to board approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The Association funded reserves of \$167,428 in 2015.

**Key Vista Master
Homeowners Association, Inc.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued)

The following table presents significant information about the components of the Replacement Fund:

	<u>Balance</u> <u>12/31/14</u>	<u>Assessments</u>	<u>Interest</u> <u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/15</u>
Pooled Fund	1,237,900	167,428	2,205	(0)	7,586	1,415,119
Storage Lot	25,170		41		608	25,819
Unallocated Interest	<u>32,074</u>				<u>(32,074)</u>	<u>0</u>
Total	<u><u>1,295,144</u></u>	<u><u>167,428</u></u>	<u><u>2,246</u></u>	<u><u>(0)</u></u>	<u><u>(23,880)</u></u>	<u><u>1,440,938</u></u>

NOTE G – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association's short-term financial instruments are cash, accounts receivable, prepaid assets, accounts payable, prepaid assessments and accrued expenses. The recorded values of these financial instruments approximate their fair value based on their short-term nature.

NOTE H – RELATED PARTY TRANSACTIONS

For 2015, the Board Treasurer of the Association had a business relationship with the management company that managed the Association.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 5, 2016, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Key Vista Master
Homeowners Association, Inc.**
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
YEAR ENDED DECEMBER 31, 2015

In 2014, a reserve study was performed by Reserve Advisors, Inc., estimating the remaining useful lives and current replacements costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components. The Board of Directors has elected to accumulate funds in a common pooled fund rather than segregate funds by the components shown below.

The following table is based on the estimate provided by Reserve Advisors, Inc. and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Future Replacement Costs</u>	<u>Replacement Fund Balance December 31, 2015</u>	<u>2016 Funding Plan</u>
Property Site Elements	1-26	6,344,234		
Clubhouse Elements	1-18	738,967		
Pool Elements	2-15	398,662		
Pooled Fund			1,415,119	167,429
Storage Lot	2	<u>18,000</u>	<u>25,819</u>	
Total		<u><u>7,499,863</u></u>	<u><u>1,440,938</u></u>	<u><u>167,429</u></u>

See independent accountants' review report.