

KEY VISTA MASTER HOMEOWNERS
ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

**BASHOR & LEGENDRE, LLP***Certified Public Accountants*

4809 Ehrlich Road, Suite 203

Tampa, FL 33624

Phone: 813-961-3220

Fax: 813-962-6165

www.blcpas.com

Percy J. Legendre, III, C.P.A., P.A.

Thomasena L. Bashor, C.P.A., P.A.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Key Vista Master Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2016, and related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and 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
Key Vista Master Homeowners 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 Key Vista Master Homeowners Association, Inc. as of December 31, 2016, 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 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

October 04, 2017

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

AS OF DECEMBER 31, 2016

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 402,375	\$ 1,685,482	\$ 2,087,857
Assessments receivable-net	82,758	-	82,758
Furniture & Equipment-net	28,257	-	28,257
Prepaid expenses	3,924	-	3,924
Interfund balances	(251,853)	251,853	-
Deposits	5,325	-	5,325
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 270,786</u>	<u>\$ 1,937,335</u>	<u>\$ 2,208,121</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 48,467	\$ -	\$ 48,467
Prepaid assessments	20,362	-	20,362
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	68,829	-	68,829
	<u> </u>	<u> </u>	<u> </u>
Fund Balances	201,957	1,937,335	2,139,292
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 270,786</u>	<u>\$ 1,937,335</u>	<u>\$ 2,208,121</u>

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

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Regular assessments	\$ 831,262	\$ 167,429	\$ 998,691
Other income	37,148	-	37,148
Interest income	1,374	3,968	5,342
Total Revenues	<u>869,784</u>	<u>171,397</u>	<u>1,041,181</u>
<u>EXPENSES</u>			
Bad debt	6,062	-	6,062
Cable	293,709	-	293,709
Depreciation	5,236	-	5,236
General and administrative	100,794	-	100,794
Insurance	17,952	-	17,952
Interest	43	-	43
Leased employees	135,051	-	135,051
RV lot expnese	581	-	581
Repairs and maintenance	292,857	-	292,857
Taxes	2,865	-	2,865
Utilities	37,501	-	37,501
Total Expenses	<u>892,651</u>	<u>-</u>	<u>892,651</u>
<u>EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES</u>	(22,867)	171,397	148,530
<u>BEGINNING FUND BALANCES</u>	549,824	1,440,938	1,990,762
Transfer of funds	<u>(325,000)</u>	<u>325,000</u>	<u>-</u>
<u>ENDING FUND BALANCES</u>	<u>\$ 201,957</u>	<u>\$ 1,937,335</u>	<u>\$ 2,139,292</u>

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

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess/(Deficit) of Revenues over Expenses	\$ (22,867)	\$ 171,397	\$ 148,530
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash from operating activities:			
Depreciation	5,236		5,236
Provision for doubtful accounts	6,062	-	6,062
(Increase) Decrease in:			
Assessments receivable	(29,865)	-	(29,865)
Prepaid expenses	3,329	-	3,329
Deposits	(520)	-	(520)
Increase (Decrease) in:			
Accounts payable	15,435	-	15,435
Prepaid assessments	(22,826)	-	(22,826)
Net Cash from Operating Activities	<u>(46,016)</u>	<u>171,397</u>	<u>125,381</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of fixed assets	(978)	-	(978)
Proceeds from investments	223,652	278,618	502,270
Purchases of investments	(917)	(976)	(1,893)
Net Cash from Investing Activities	<u>221,757</u>	<u>277,642</u>	<u>499,399</u>

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

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interfund balances	245,036	(245,036)	-
Transfer of funds	<u>(325,000)</u>	<u>325,000</u>	<u>-</u>
Net Cash from Financing Activities	<u>(79,964)</u>	<u>79,964</u>	<u>-</u>
<u>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</u>	95,777	529,003	624,780
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>306,598</u>	<u>1,156,479</u>	<u>1,463,077</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 402,375</u>	<u>\$ 1,685,482</u>	<u>\$ 2,087,857</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for taxes	<u>\$ 505</u>
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The accompanying notes are an integral part of these financial statements.

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - NATURE OF ORGANIZATION

Description of Business

Key Vista Master Homeowners Association, Inc. ("Association") was incorporated on July 18, 2000 as a corporation, not-for-profit, under the terms and provisions of Chapter 617, Florida Statutes. The Association, which operates under Florida Statute 720, is responsible for the operation and maintenance of the common property within the development. The development consists of 718 residential units located in Holiday, 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 straight line method of depreciation.

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

Property and Equipment

In conformity with industry practice, the Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common property and (b) real property to which it has title and that the Board can dispose of for cash while retaining the proceeds for the Association or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

The Association holds title to common real property consisting of a clubhouse, pool, tennis court, volleyball court, and gates. This common property cannot be disposed of by the Board for cash while retaining the proceeds for the Association nor is it used to generate significant cash flows from members on the basis of usage or from nonmembers and is not recognized as an asset.

The disposition and use of common property is restricted by the Association's governing documents.

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, deposits, and accounts 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.

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 October 04, 2017, which is the date on which the financial statements were available to be issued.

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, 2016, the Association had net assessments receivable of \$82,758. It is the opinion of the Board that an allowance for doubtful accounts of \$87,263 is needed at December 31, 2016 to cover anticipated losses from doubtful accounts.

NOTE 4 - PROPERTY AND EQUIPMENT

At December 31, 2016, the Association had the following property and equipment:

Furniture, equipment, and shed	\$ 39,781
Less: Accumulated depreciation	<u>(11,524)</u>
Fixed assets-net	<u><u>\$ 28,257</u></u>

Depreciation expense amounted to \$5,236 for the year ended December 31, 2016.

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - 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 September 2014, 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.

If an association is required to provide for reserves per Florida Statutes, it must prepare a fully funded proposed budget including reserves. The association must fully fund reserves unless waived or reduced by a proper membership vote. Additionally, it must obtain a proper vote of the membership in advance to use reserve funds for other than their original intended purpose. We could not ascertain whether the association is required to provide for reserves in accordance with Florida Statutes. No adjustments have been made to these financial statements regarding the above.

IF AN ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, ADDITIONAL DISCLOSURES REQUIRED BY FLORIDA STATUTES MAY APPLY.

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - OWNERS' ASSESSMENTS

Monthly assessments to owners were approximately \$83 to \$118 based on the number of total units for 2016. Of these amounts, approximately \$19 to \$20 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 7 - INCOME TAXES

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the year ended December 31, 2016, 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. As of December 31, 2016, the Association had prepaid taxes of \$1,958 which were included in prepaid expenses in the financial statements.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Association maintains accounts with financial institutions. Accounts at each institution are insured subject to FDIC limits.

The Association maintains accounts with financial institutions. Accounts at each institution are insured subject to FDIC limits. At December 31, 2016, the Association's uninsured cash balances total \$1,437,050.

SUPPLEMENTARY INFORMATION

KEY VISTA MASTER HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

(unaudited)

The Board, in conjunction with management, commissioned a formal study in September 2014, 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 takes into account the effects of inflation between the date of the study and the date that the components will require repair or replacement at a rate of 2.7% per year. The study takes into account a threshold funding amount of approximately \$527,717.

Components	Estimated Remaining Useful Lives (years)	Estimated Current Replacement Costs	Components of Fund Balance at Year End
Property site elements	1 - 25	\$ 1,955,580	-
Clubhouse elements	1 - 17	379,300	-
Pool elements	1 - 14	183,690	-
Reserve study	1	3,600	-
Pooled fund	N/A	-	1,899,505
Storage lots	N/A	-	33,862
Interest	N/A	-	3,968
		\$ 2,522,170	\$ 1,937,335