

**KINGS COVE  
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

To the Board of Directors and Members  
Kings Cove Homeowners Association, Inc.

We have compiled the accompanying balance sheet of Kings Cove Homeowners Association, Inc. as of December 31, 2013, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements 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 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.

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 without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America mandate that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Association has not presented this supplementary information.

*J. Michalak, LLC*

Joseph R. Michalak, LLC  
Certified Public Accountant

Maitland, Florida  
April 25, 2014

**KINGS COVE HOMEOWNERS ASSOCIATION, INC.**

**BALANCE SHEET**

**December 31, 2013**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
Cash, including interest-bearing deposits	\$ 5,070	\$ 29,460	\$ 34,530
Assessments receivable	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,070</u>	<u>\$ 29,460</u>	<u>\$ 34,530</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 360	\$ -	\$ 360
Assessments received in advance	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>360</u>	<u>-</u>	<u>360</u>
<b>FUND BALANCE:</b>	<u>4,710</u>	<u>29,460</u>	<u>34,170</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 5,070</u>	<u>\$ 29,460</u>	<u>\$ 34,530</u>

See accompanying notes and accountant's compilation report.

**KINGS COVE HOMEOWNERS ASSOCIATION, INC.**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE**

**Year Ended December 31, 2013**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTALS</u>
<b>REVENUE:</b>			
Assessments	\$ 24,000	\$ -	\$ 24,000
Other	60	-	60
	<u>24,060</u>	<u>-</u>	<u>24,060</u>
<b>TOTAL REVENUE</b>	<u>24,060</u>	<u>-</u>	<u>24,060</u>
<b>EXPENSES:</b>			
Lakes and waterways	2,280	-	2,280
Utilities	3,540	-	3,540
Contract grounds maintenance	10,080	-	10,080
Other grounds maintenance	2,410	-	2,410
Office and other	470	-	470
Accounting	900	-	900
Insurance	1,500	-	1,500
License and fees	60	-	60
Social activities	790	-	790
	<u>22,030</u>	<u>-</u>	<u>22,030</u>
<b>TOTAL EXPENSES</b>	<u>22,030</u>	<u>-</u>	<u>22,030</u>
<b>REVENUE IN EXCESS OF EXPENSES</b>	2,030	-	2,030
<b>FUND BALANCE – Beginning of year</b>	<u>2,680</u>	<u>29,460</u>	<u>32,140</u>
<b>FUND BALANCE – End of year</b>	<u>\$ 4,710</u>	<u>\$ 29,460</u>	<u>\$ 34,170</u>

See accompanying notes and accountant's compilation report.

**KINGS COVE HOMEOWNERS ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2013**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Revenue in excess of expenses	\$ 2,030	\$ -
Adjustment to reconcile excess of revenue over expenses to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	800	-
Prepaid expenses	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	-	-
Assessments received in advance	-	-
	<u>2,830</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY OPERATIONS</b>	<b>2,830</b>	<b>-</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u>2,240</u>	<u>29,460</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 5,070</u>	<u>\$ 29,460</u>

See accompanying notes and accountant's compilation report.

**KINGS COVE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Kings Cove Homeowners Association, Inc. is incorporated in the State of Florida as a not-for-profit corporation. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 96 residential units located in Winter Park, Florida.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenses.

The operating fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenses from this fund are limited to those connected with daily operations.

The replacement fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenses from this fund are restricted to those items for which assessments were specifically collected.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Real and Common Area Property

Real and common area property owned by the Association is not recorded in the Association's financial statements as it was acquired in a nonmonetary transaction from the Developer and the fair value of the assets cannot be reasonably determined. As a result, improvements made to the real property and common areas are not capitalized.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**KINGS COVE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013**

**NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS**

The Association is funding for major repairs and replacements based on estimated current replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

The following table presents significant information about the components of common property:

COMPONENT	BALANCE 1/1/2013	FUNDING DURING YEAR	INTEREST INCOME	EXPENSES DURING YEAR	BALANCE 12/31/2013
General	<u>\$ 29,460</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 29,460</u>

**NOTE 3: MEMBER ASSESSMENTS**

Association members are subject to 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. Members' assessments prepaid are classified as assessments received in advance. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments which have been deemed to be uncollectable as of the report date have been charged to bad debts. Any excess assessments at year end are retained by the Association for use in future operation periods.

**NOTE 4: INCOME TAXES**

Common interest realty associations may elect to be taxed as regular corporations or as homeowners associations, under Section 528 of the Internal Revenue Code. With either election the Association is generally taxed only on its non-membership income, such as bank interest, investment earning and other non-exempt function income.

**KINGS COVE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013**

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to administer the Association. These contracts have different expiration dates and renewal terms.

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 25, 2014, the date that the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**NOTE 6: CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of bank accounts and certificates of deposit. The Association maintains its cash balances at a single financial institution. Accounts at this institution are insured by the FDIC up to \$ 250,000. As of December 31, 2013, all of the Association's funds were fully insured.

The Association's major source of revenue is member assessments, which are receivable from its members and may be secured by a lien on their property. The Association monitors the collectability of these receivables and pursues collection. Management routinely assesses the collectability of these receivables and provides for an allowance for doubtful accounts based on this assessment.