

KINDERTON VILLAGE RESIDENTIAL
HOMEOWNERS MASTER ASSOCIATION, INC.

FINANCIAL STATEMENTS

June 30, 2012

**KINDERTON VILLAGE RESIDENTIAL
HOMEOWNERS MASTER ASSOCIATION, INC.**

Advance, North Carolina

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Independent Auditor's Report

Board of Directors and Owners

Kinderton Village Residential Homeowners Master Association, Inc.

Advance, North Carolina

I have audited the accompanying balance sheet of Kinderton Village Residential Homeowners Master Association, Inc. as of June 30, 2012, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the period January 1, 2010 through June 30, 2012. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kinderton Village Residential Homeowners Master Association, Inc. as of June 30, 2012 and the results of its operations and cash flows for the period January 1, 2010 through June 30, 2012 in conformity with accounting principles generally accepted in the United States of America..

Management has omitted the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by the missing information.

October 1, 2012



KINDERTON VILLAGE RESIDENTIAL
HOMEOWNERS MASTER ASSOCIATION, INC.

BALANCE SHEET

June 30, 2012

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 95,002	\$ 51,496	\$ 146,498
Certificates of deposit	-----	87,000	87,000
Prepaid expenses	2,905	-----	2,905
Receivable - other	<u>2,760</u>	<u>-----</u>	<u>2,760</u>
Total Assets	<u>\$ 100,667</u>	<u>\$ 138,496</u>	<u>\$ 239,163</u>
LIABILITIES AND FUND BALANCE			
Interfund balances	<u>\$ 3,882</u>	<u>\$ (3,882)</u>	<u>\$ -----</u>
Total Liabilities	3,882	(3,882)	-----
Fund balance	<u>96,785</u>	<u>142,378</u>	<u>239,163</u>
Total Liabilities and Fund Balance	<u>\$ 100,667</u>	<u>\$ 138,496</u>	<u>\$ 239,163</u>

See accompanying notes to financial statements

KINDERTON VILLAGE RESIDENTIAL
HOMEOWNERS MASTER ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE

For the Period January 1, 2010 through June 30, 2012

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Totals</u>
Revenues:			
Assessments	\$ 369,254	\$ 102,435	\$ 471,689
Other	4,123	-----	4,123
Interest	<u>2,082</u>	<u>4,181</u>	<u>6,263</u>
Total Revenues	<u>375,459</u>	<u>106,616</u>	<u>482,075</u>
Operating Expenses:			
Grounds maintenance	73,922	-----	73,922
Landscaping	37,541	-----	37,541
Tree maintenance	1,700	-----	1,700
Lake maintenance	16,820	-----	16,820
Electricity - street lights	102,658	-----	102,658
Water - irrigation	11,828	-----	11,828
Maintenance and repairs	13,520	-----	13,520
Snow removal	2,835	-----	2,835
Mailbox kiosk expense	10,091	-----	10,091
Clubhouse expense	31,064	-----	31,064
Swimming pool	29,230	62,491	91,721
Concrete work	-----	14,291	14,291
Split system heat pump	-----	6,526	6,526
Gazebo	-----	6,975	6,975
Security system	-----	6,333	6,333
Telephone	1,075	-----	1,075
Resident Activities	2,450	-----	2,450
Administration	4,567	-----	4,567
Management fee	7,900	-----	7,900
Insurance	9,201	-----	9,201
Professional fees	2,344	-----	2,344
Income taxes	<u>2,844</u>	<u>-----</u>	<u>2,844</u>
Total Expenses	<u>361,590</u>	<u>96,616</u>	<u>458,206</u>
Revenues over (under) Expenses	13,869	10,000	23,869
Fund balance (deficit), beginning	<u>82,916</u>	<u>132,378</u>	<u>215,294</u>
Fund balance, ending	<u>\$ 96,785</u>	<u>\$ 142,378</u>	<u>\$ 239,163</u>

See accompanying notes to financial statements.

KINDERTON VILLAGE RESIDENTIAL
HOMEOWNERS MASTER ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Period January 1, 2010 through June 30, 2012

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Totals</u>
Cash Flows from Operations:			
Revenues over (under) Expenses	\$ 13,869	\$ 10,000	\$ 23,869
Reconciliation of Revenues over (under) Expenses to Net Cash (Used) Provided by Operations:			
Changes in Assets and Liabilities:			
(Increase) decrease in:			
Receivable - other	(2,760)	-----	(2,760)
Prepaid expenses	(2,905)	-----	(2,905)
Increase (decrease) in:			
Interfund balances	<u>3,882</u>	<u>(3,882)</u>	<u>-----</u>
Net Cash Provided (Used) by Operations	<u>12,086</u>	<u>-----</u>	<u>18,204</u>
Cash flows from Investing Activities:			
Certificate of deposit redemption	-----	83,398	83,398
Certificate of deposit purchase	<u>-----</u>	<u>(87,000)</u>	<u>(87,000)</u>
Net flows from Investing Activities	<u>-----</u>	<u>(3,602)</u>	<u>(3,602)</u>
Net increase (decrease) in cash	12,086	2,516	14,602
Cash and cash equivalents, beginning of period	<u>82,916</u>	<u>48,980</u>	<u>131,896</u>
Cash, and cash equivalents, end of period	<u>\$ 95,002</u>	<u>\$ 51,496</u>	<u>\$ 146,498</u>

See accompanying notes to financial statements.

KINDERTON VILLAGE RESIDENTIAL
HOMEOWNERS MASTER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Kinderton Village Residential Homeowners Master Association, Inc. (Association) was organized in June, 2001 under the laws of the State of North Carolina for the purpose of administering the operations and maintenance of the common areas within the development. The Association located in Advance, North Carolina, serves as the master association for The Condominiums at Kinderton Village Owners Association, Inc., Kinderton Village Single Family Homeowners Association, Inc., Kinderton Village Carriage Homes Homeowners Association, Inc. and, The Kinderton Village Townhomes on the Green Association, Inc. The Association receives monthly assessments from these members for shared common area expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

A. Fund Accounting

The Association's governing documents provide guidelines for maintaining financial activities. To ensure observance of the restrictions placed on financial resources, the Association uses fund accounting. The following funds are used to account for the financial resources of the Association:

Operating Fund - This fund accounts for the general operations of the Association. Disbursements from this fund are at the discretion of the property manager and Board of Directors.

Replacement Fund - This fund accumulates resources which will be used for designated future major repairs and replacements. Capital disbursements are generally made for only designated purposes and require the approval of the Board of Directors.

B. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 1, 2012, the date that the financial statements were available to be issued.

C. Property and Equipment

The real property and common areas of the Association are not depreciated and are not recorded in the Association's financial statements because they are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property to which it has title at cost.

KINDERTON VILLAGE RESIDENTIAL
HOMEOWNERS MASTER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Con't)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and cash equivalents

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

3. MEMBER ASSESSMENTS

Association members are subject to monthly assessments which provide funds for the Association's operations and future capital replacements and repairs. Assessments receivable at the balance sheet date represent fees due from unit owners and are considered fully collectible. The Association's governing documents allow certain remedies by the Association against members for delinquent assessments, including placing liens on the properties of the members. Any excess assessments at year end are retained by the Association for use in future years.

4. INCOME TAXES

The Association may be taxed as a homeowners association or as a regular corporation. For the year ended December 31, 2011, 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, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. The Association must report unrelated business income for state income tax purposes.

It is the Association's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2011.

Currently, the statute of limitations remains open subsequent to and including 2009; however, no examinations are in progress or anticipated.

KINDERTON VILLAGE RESIDENTIAL
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NOTES TO FINANCIAL STATEMENTS

5. MANAGEMENT SERVICES

Gallimore Management Associates, Inc., the managing agent for the Association, or one of its affiliates, provides various services to the Association when authorized by the Board of Directors. In addition to the management of the Association, these services may include maintenance.

6. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents allow for funds for future major repairs and replacements to be acquired through a special assessment when needed or through an accumulation of regular assessments. The board of directors has chosen to establish a replacement fund. Accumulated funds are held in separate accounts and are generally not available for operating purposes.

The Association has not conducted a formal study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The board is funding for future major repairs and replacements based on an informal plan. If additional funds are needed, however, the Association has the right, subject to member approval, 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.

7. CONCENTRATIONS OF CREDIT RISK

The Association maintains cash and certificate of deposit balances at financial institutions located in Greensboro and Raleigh, North Carolina. The balances at each of these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2012, the Association did not have any cash balances that exceeded the insured amount.