

KINDERTON VILLAGE SINGLE FAMILY  
HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

June 30, 2012

**KINDERTON VILLAGE SINGLE FAMILY  
HOMEOWNERS ASSOCIATION, INC.**

**Advance, North Carolina**

**CONTENTS**

	Page
Independent Auditor's Report	2
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8

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## **Independent Auditor's Report**

Board of Directors and Owners  
Kinderton Village Single Family Homeowners Association, Inc.  
Advance, North Carolina

I have audited the accompanying balance sheet of Kinderton Village Single Family Homeowners 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 Single Family Homeowners 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 SINGLE FAMILY HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

June 30, 2012

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 58,853	\$ -----	\$ 58,853
Prepaid expenses	1,695	-----	1,695
Assessments receivable	<u>7,695</u>	<u>-----</u>	<u>7,695</u>
Total Assets	<u>\$ 68,243</u>	<u>\$ -----</u>	<u>\$ 68,243</u>
LIABILITIES AND FUND BALANCE			
Interfund Balances	\$ 33,555	(33,555)	\$ -----
Prepaid assessments	<u>9,160</u>	<u>-----</u>	<u>9,160</u>
Total Liabilities	42,715	(33,555)	9,160
Fund balance	<u>25,528</u>	<u>33,555</u>	<u>59,083</u>
Total Liabilities and Fund Balance	<u>\$ 68,243</u>	<u>\$ -----</u>	<u>\$ 68,243</u>

See accompanying notes to financial statements

KINDERTON VILLAGE SINGLE FAMILY HOMEOWNERS 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	\$ 482,460	\$ 32,995	\$ 515,455
Other	8,415	-----	8,415
Interest	<u>730</u>	<u>-----</u>	<u>730</u>
Total Revenues	<u>491,605</u>	<u>32,995</u>	<u>524,600</u>
Operating Expenses:			
Grounds maintenance	67,738	-----	67,738
Landscaping	1,650	-----	1,650
Uncollectible assessments	5,344	-----	5,344
Master association dues	354,037	-----	354,037
Resident Activities	732	-----	732
Administration	5,042	-----	5,042
Management fee	38,907	-----	38,907
Insurance	6,047	-----	6,047
Professional fees	<u>1,075</u>	<u>-----</u>	<u>1,075</u>
Total Expenses	<u>480,572</u>	<u>-----</u>	<u>480,572</u>
Revenues over (under) Expenses	11,033	32,995	44,028
Fund balance (deficit), beginning	<u>14,495</u>	<u>560</u>	<u>15,055</u>
Fund balance, ending	<u>\$ 25,528</u>	<u>\$ 33,555</u>	<u>\$ 59,083</u>

See accompanying notes to financial statements.

KINDERTON VILLAGE SINGLE FAMILY HOMEOWNERS 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	\$ 11,033	\$ 32,995	\$ 44,028
Reconciliation of Revenues over (under ) Expenses to Net Cash (Used) Provided by Operations:			
Changes in Assets and Liabilities:			
(Increase) decrease in:			
Assessments receivable	120	-----	120
Prepaid expenses	(1,695)	-----	(1,695)
Increase (decrease) in:			
Interfund balances	32,995	(32,995)	-----
Prepaid assessments	<u>772</u>	<u>-----</u>	<u>772</u>
Net Cash Provided (Used) by Operations	<u>43,225</u>	<u>-----</u>	<u>43,225</u>
Cash and cash equivalents, beginning of period	<u>15,628</u>	<u>-----</u>	<u>15,628</u>
Cash, and cash equivalents, end of period	<u>\$ 58,853</u>	<u>\$ -----</u>	<u>\$ 58,853</u>

See accompanying notes to financial statements.

# KINDERTON VILLAGE SINGLE FAMILY HOMEOWNERS ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1. NATURE OF ORGANIZATION

Kinderton Village Single Family Homeowners Association, Inc. (Association) was organized in June, 2001 under the laws of the State of North Carolina for the purpose of administering the operations, management, and architectural control of the common areas within the development located in Advance, North Carolina. As of June 30, 2012, the Association consists of 298 single-family homes.

The Association is a member of the master association known as Kinderton Village Residential Homeowners Master Association, Inc. and Kinderton Village Single Family Homeowners Association, Inc. members pay assessments to the master association 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 SINGLE FAMILY HOMEOWNERS 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 SINGLE FAMILY HOMEOWNERS ASSOCIATION, INC.

## 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 balances at a financial institution located in Raleigh, North Carolina. The balances at this institution 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.