

**The Villas at**   
**FIVE PONDS**  
COMMUNITY ASSOCIATION

March, 2017

To the Villas at Five Ponds Association Members:

In an effort to save cost of Distribution and Copying we are attaching for your information, the key pages from the Association's 2016 Audited Financial statements.

- The Independent Auditors Report
- The December 31, 2016 Balance Sheet
- The December 31, 2016 Statement of Revenues and Expenses
- The December 31, 2016 Statement of Changes of Fund Balances.

For Association members in good standing a full copy of the Auditor's report, 13 pages, is available by appointment, at Continental Management Company, Attn: Amy Wert, 975 Easton Road, Suite 102, Warrington, Pa. 18976

Our Report was audited by : Lorraine J. Grassi, CPA, P.C., 623 Horsham Road, Suite B, Horsham, Pa. 19044.

Sincerely,

The Executive Board of the Villas at Five Ponds

**Lorraine J. Grassi, CPA, P.C.**

Certified Public Accountant  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
**The Villas at Five Ponds Community Association**  
Warminster, Pennsylvania

**Report on the Financial Statements**

I have audited the accompanying financial statements of **The Villas at Five Ponds Community Association** which comprise the balance sheet as of December 31, 2016, and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2015, is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which I issued an unmodified audit report dated January 26, 2016.

**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**

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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Villas at Five Ponds Community Association** as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. I have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of my audit. My opinion on the financial statements is not modified with respect to this matter.

**Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Financial Capital Reserve Analysis on pages 11-13 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Lorraine J. Grassi, CPA, P.C.*

Lorraine J. Grassi, CPA, P.C.  
Horsham, Pennsylvania

January 27, 2017

**THE VILLAS AT FIVE PONDS COMMUNITY ASSOCIATION**  
**BALANCE SHEET**  
**DECEMBER 31, 2016**

(With Comparative Totals for December 31, 2015)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2016 Total	2015 Total
<b>ASSETS</b>					
<b><u>Assets</u></b>					
Cash	\$162,041	\$ 133,595	\$ 32,106	\$ 327,742	\$ 398,677
Certificates of Deposit	-	1,200,000	-	1,200,000	1,050,000
Assessment Receivable	1,302	-	-	1,302	885
Interest Receivable	-	2,702	-	2,702	11,234
Prepaid - Other	993	-	-	993	3,826
Prepaid Insurance	4,891	-	-	4,891	1,354
Total Assets	<u>\$169,227</u>	<u>\$ 1,336,297</u>	<u>\$ 32,106</u>	<u>\$1,537,630</u>	<u>\$1,465,976</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b><u>Liabilities</u></b>					
Accrued Expenses	\$ 2,706	\$ -	\$ -	\$ 2,706	\$ 1,475
Accounts Payable	10,887	-	-	10,887	13,332
Federal Income Tax Payable	1,007	-	-	1,007	1,954
Prepaid Assessments	15,688	-	-	15,688	16,854
Total Liabilities	<u>30,288</u>	<u>-</u>	<u>-</u>	<u>30,288</u>	<u>33,615</u>
<b>Fund Balances</b>	<u>138,939</u>	<u>1,336,297</u>	<u>32,106</u>	<u>1,507,342</u>	<u>1,432,361</u>
Total Liabilities and Fund Balances	<u>\$169,227</u>	<u>\$ 1,336,297</u>	<u>\$ 32,106</u>	<u>\$1,537,630</u>	<u>\$1,465,976</u>

See accompanying notes to financial statements.

**THE VILLAS AT FIVE PONDS COMMUNITY ASSOCIATION**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(With Comparative Totals for the Year Ended December 31, 2015)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2016 Total	2015 Total
<b>Revenues</b>					
Association Fees - Members	\$ 537,600	\$ 191,520	\$ -	\$729,120	\$ 688,800
Paid-In Capital	-	-	14,250	14,250	8,610
Interest Income	1,141	12,981	260	14,382	14,973
Rental	4,500	-	-	4,500	5,050
Guest Passes	1,290	-	-	1,290	1,515
Miscellaneous Income	750	-	-	750	652
Late Fees	575	-	-	575	760
Fines	50	-	-	50	500
Directory Ad Revenue	-	-	-	-	9,900
Clubhouse Membership Drive	-	-	-	-	220
Social Committee	-	-	5,000	5,000	13,500
Affinity Program	-	-	-	-	3,302
Craft Show	-	-	4,600	4,600	-
Locker Door Repair	-	-	30	30	-
Total Revenues	<u>545,906</u>	<u>204,501</u>	<u>24,140</u>	<u>774,547</u>	<u>747,782</u>
<b>Expenses</b>					
Capital Expenditures	-	-	16,608	16,608	127,279
Reserve Expenditures	-	114,485	-	114,485	25,041
Bank Charges	973	-	-	973	814
Cable Service	294	-	-	294	275
Cleaning	25,760	-	-	25,760	24,600
Clubhouse Supplies	7,727	-	-	7,727	5,714
Contributions	500	-	-	500	500
Copying and Mailing	1,431	-	-	1,431	2,013
Electricity	921	-	-	921	552
Exterminating	817	-	-	817	780
Federal Income Taxes	3,527	-	-	3,527	3,354
Grounds Maintenance	204,674	-	-	204,674	188,510
Insurance	16,891	-	-	16,891	31,726
Legal and Accounting	1,712	-	-	1,712	1,543
Management Services	58,800	-	-	58,800	57,120
Meeting and Board Expense	250	-	-	250	234
Office Expenses	1,134	-	-	1,134	1,009
Pool Contract and Supplies	33,093	-	-	33,093	33,476
Pond Maintenance	4,120	-	-	4,120	-
Postage	894	-	-	894	793
Recreation	1,064	-	-	1,064	(200)
Repairs and Maintenance	26,119	-	-	26,119	29,765
Security	1,048	-	-	1,048	1,000
Snow Removal	86,260	-	-	86,260	82,735
Telephone	2,299	-	-	2,299	2,256
Trash Removal	53,760	-	-	53,760	52,080
Utilities - Clubhouse	30,797	-	-	30,797	33,591
Water and Sewer	3,608	-	-	3,608	2,822
Total Expenses	<u>568,473</u>	<u>114,485</u>	<u>16,608</u>	<u>699,566</u>	<u>709,382</u>
Excess (Deficiency) of Revenues over (under) Expenses	<u>\$ (22,567)</u>	<u>\$ 90,016</u>	<u>\$ 7,532</u>	<u>\$ 74,981</u>	<u>\$ 38,400</u>

See accompanying notes to financial statements.

**THE VILLAS AT FIVE PONDS COMMUNITY ASSOCIATION**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(With Comparative Totals for the Year Ended December 31, 2015)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2016 Total	2015 Total
Balances January 1	\$ 108,122	\$ 1,299,665	\$ 24,574	\$ 1,432,361	\$ 1,393,961
Permanent Transfer	53,384	(53,384)	-	-	-
Excess (Deficiency) of Revenues over (under) Expenses	<u>(22,567)</u>	<u>90,016</u>	<u>7,532</u>	<u>74,981</u>	<u>38,400</u>
 Balances December 31	 <u>\$ 138,939</u>	 <u>\$ 1,336,297</u>	 <u>\$ 32,106</u>	 <u>\$ 1,507,342</u>	 <u>\$ 1,432,361</u>

See accompanying notes to financial statements.