

The Villas at 
FIVE PONDS
COMMUNITY ASSOCIATION

March, 2018

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 2017 Audited Financial statements.

- The Independent Auditors Report
- The December 31, 2017 Balance Sheet
- The December 31, 2017 Statement of Revenues and Expenses
- The December 31, 2017 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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Horsham, PA 19044
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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of **The Villas at Five Ponds Community Association** which comprise the balance sheet as of December 31, 2017, 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, 2016, 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 27, 2017.

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, 2017, 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 is not modified with respect to that 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, which 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 26, 2018

THE VILLAS AT FIVE PONDS COMMUNITY ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2017

(With Comparative Totals for December 31, 2016)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2017 Total	2016 Total
ASSETS					
<u>Assets</u>					
Cash	\$184,799	\$ 144,729	\$ 68,448	\$ 397,976	\$ 327,742
Certificates of Deposit	-	1,364,000	-	1,364,000	1,200,000
Assessment Receivable	1,285	-	-	1,285	1,302
Interest Receivable	-	6,875	-	6,875	2,702
Prepaid - Other	7,651	-	-	7,651	993
Prepaid Insurance	4,065	-	-	4,065	4,891
Total Assets	<u>\$197,800</u>	<u>\$ 1,515,604</u>	<u>\$ 68,448</u>	<u>\$1,781,852</u>	<u>\$1,537,630</u>
LIABILITIES AND FUND BALANCES					
<u>Liabilities</u>					
Accrued Expenses	\$ 10,894	\$ -	\$ -	\$ 10,894	\$ 2,706
Accounts Payable	34,604	-	-	34,604	10,887
Federal Income Tax Payable	3,026	-	-	3,026	1,007
Prepaid Assessments	18,030	-	-	18,030	15,688
Total Liabilities	<u>66,554</u>	<u>-</u>	<u>-</u>	<u>66,554</u>	<u>30,288</u>
<u>Fund Balances</u>	<u>131,246</u>	<u>1,515,604</u>	<u>68,448</u>	<u>1,715,298</u>	<u>1,507,342</u>
Total Liabilities and Fund Balances	<u>\$197,800</u>	<u>\$ 1,515,604</u>	<u>\$ 68,448</u>	<u>\$1,781,852</u>	<u>\$1,537,630</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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2017 Total	2016 Total
Revenues					
Association Fees - Members	\$ 594,720	\$ 191,520	\$ 10,080	\$796,320	\$ 729,120
Paid-In Capital	-	-	28,644	28,644	14,250
Interest Income	2,056	19,800	541	22,397	14,382
Rental	4,000	-	-	4,000	4,500
Guest Passes	1,438	-	-	1,438	1,290
Miscellaneous Income	390	-	5,537	5,927	750
Late Fees	645	-	-	645	575
Fines	-	-	-	-	50
Social Committee	-	-	2,350	2,350	5,000
Craft Show	-	-	-	-	4,600
Locker Door Repair	-	-	-	-	30
Total Revenues	<u>603,249</u>	<u>211,320</u>	<u>47,152</u>	<u>861,721</u>	<u>774,547</u>
Expenses					
Capital Expenditures	-	-	10,810	10,810	16,608
Reserve Expenditures	-	32,013	-	32,013	114,485
Bank Charges	1,001	-	-	1,001	973
Cable Service	572	-	-	572	294
Cleaning	26,820	-	-	26,820	25,760
Clubhouse Supplies	4,430	-	-	4,430	7,727
Contributions	-	-	-	-	500
Copying and Mailing	1,100	-	-	1,100	1,431
Electricity	988	-	-	988	921
Exterminating	881	-	-	881	817
Federal Income Taxes	5,576	-	-	5,576	3,527
Grounds Maintenance	213,329	-	-	213,329	204,674
Insurance	16,144	-	-	16,144	16,891
Legal and Accounting	1,650	-	-	1,650	1,712
Licenses and Permits	955	-	-	955	-
Management Services	60,480	-	-	60,480	58,800
Meeting and Board Expense	-	-	-	-	250
Office Expenses	943	-	-	943	1,134
Pool Contract and Supplies	37,524	-	-	37,524	33,093
Pond Maintenance	3,948	-	-	3,948	4,120
Postage	764	-	-	764	894
Recreation	(299)	-	-	(299)	1,064
Repairs and Maintenance	32,821	-	-	32,821	26,119
Security	684	-	-	684	1,048
Snow Removal	109,563	-	-	109,563	86,260
Telephone	2,411	-	-	2,411	2,299
Trash Removal	53,760	-	-	53,760	53,760
Utilities - Clubhouse	30,924	-	-	30,924	30,797
Water and Sewer	3,973	-	-	3,973	3,608
Total Expenses	<u>610,942</u>	<u>32,013</u>	<u>10,810</u>	<u>653,765</u>	<u>699,566</u>
Excess (Deficiency) of Revenues over (under) Expenses	<u>\$ (7,693)</u>	<u>\$ 179,307</u>	<u>\$ 36,342</u>	<u>\$207,956</u>	<u>\$ 74,981</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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2017 Total	2016 Total
Balances January 1	\$ 138,939	\$ 1,336,297	\$ 32,106	\$ 1,507,342	\$ 1,432,361
Excess (Deficiency) of Revenues over (under) Expenses	<u>(7,693)</u>	<u>179,307</u>	<u>36,342</u>	<u>207,956</u>	<u>74,981</u>
Balances December 31	<u>\$ 131,246</u>	<u>\$ 1,515,604</u>	<u>\$ 68,448</u>	<u>\$ 1,715,298</u>	<u>\$ 1,507,342</u>

See accompanying notes to financial statements.