

The Villas at 
FIVE PONDS
COMMUNITY ASSOCIATION

March, 2019

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 2018 Audited Financial statements.

- The Independent Auditors Report
- The December 31, 2018 Balance Sheet
- The December 31, 2018 Statement of Revenues and Expenses
- The December 31, 2018 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.

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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, 2018, 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, 2017, 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, 2018.

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, 2018, 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.

Future Major Repairs and Replacements

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 29, 2019

THE VILLAS AT FIVE PONDS COMMUNITY ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2018

(With Comparative Totals for December 31, 2017)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2018 Total	2017 Total
ASSETS					
<u>Assets</u>					
Cash	\$ 224,993	\$ 124,711	\$ 111,532	\$ 461,236	\$ 397,976
Certificates of Deposit	-	1,584,000	-	1,584,000	1,364,000
Assessment Receivable	1,512	-	-	1,512	1,285
Interest Receivable	-	19,205	-	19,205	6,875
Prepaid - Other	4,330	-	-	4,330	7,651
Prepaid Insurance	4,478	-	-	4,478	4,065
Total Assets	<u>\$ 235,313</u>	<u>\$ 1,727,916</u>	<u>\$ 111,532</u>	<u>\$2,074,761</u>	<u>\$1,781,852</u>
LIABILITIES AND FUND BALANCES					
<u>Liabilities</u>					
Accrued Expenses	\$ 17,187	\$ -	\$ -	\$ 17,187	\$ 10,894
Accounts Payable	21,066	-	-	21,066	34,604
Federal Income Tax Payable	809	-	-	809	3,026
Prepaid Assessments	14,296	-	-	14,296	18,030
Total Liabilities	<u>53,358</u>	<u>-</u>	<u>-</u>	<u>53,358</u>	<u>66,554</u>
Fund Balances	<u>181,955</u>	<u>1,727,916</u>	<u>111,532</u>	<u>2,021,403</u>	<u>1,715,298</u>
Total Liabilities and Fund Balances	<u>\$ 235,313</u>	<u>\$ 1,727,916</u>	<u>\$ 111,532</u>	<u>\$2,074,761</u>	<u>\$1,781,852</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, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2018 Total	2017 Total
Revenues					
Association Fees - Members	\$ 614,880	\$ 204,960	\$ 10,080	\$829,920	\$ 796,320
Paid-In Capital	-	-	42,660	42,660	28,644
Interest Income	3,018	24,238	1,369	28,625	22,397
Rental	4,200	-	-	4,200	4,000
Guest Passes	1,172	-	-	1,172	1,438
Miscellaneous Income	274	-	1,064	1,338	5,927
Late Fees	862	-	-	862	645
Fines	150	-	-	150	-
Social Committee	-	-	7,778	7,778	2,350
Total Revenues	<u>624,556</u>	<u>229,198</u>	<u>62,951</u>	<u>916,705</u>	<u>861,721</u>
Expenses					
Capital Expenditures	-	-	19,867	19,867	10,810
Reserve Expenditures	-	16,886	-	16,886	32,013
Bank Charges	908	-	-	908	1,001
Cable Service	642	-	-	642	572
Cleaning	26,820	-	-	26,820	26,820
Clubhouse Supplies	5,867	-	-	5,867	4,430
Contributions	250	-	-	250	-
Copying and Mailing	1,171	-	-	1,171	1,100
Electricity	964	-	-	964	988
Exterminating	687	-	-	687	881
Federal Income Taxes	6,389	-	-	6,389	5,576
Grounds Maintenance	217,239	-	-	217,239	213,329
Insurance	16,249	-	-	16,249	16,144
Legal and Accounting	2,630	-	-	2,630	1,650
Licenses and Permits	495	-	-	495	955
Management Services	60,480	-	-	60,480	60,480
Office Expenses	828	-	-	828	943
Pool Contract and Supplies	33,024	-	-	33,024	37,524
Pond Maintenance	3,475	-	-	3,475	3,948
Postage	804	-	-	804	764
Recreation	-	-	-	-	(299)
Repairs and Maintenance	28,743	-	-	28,743	32,821
Security	3,763	-	-	3,763	684
Snow Removal	74,563	-	-	74,563	109,563
Telephone	1,633	-	-	1,633	2,411
Trash Removal	52,080	-	-	52,080	53,760
Utilities - Clubhouse	30,450	-	-	30,450	30,924
Water and Sewer	3,693	-	-	3,693	3,973
Total Expenses	<u>573,847</u>	<u>16,886</u>	<u>19,867</u>	<u>610,600</u>	<u>653,765</u>
Excess (Deficiency) of Revenues over (under) Expenses	<u>\$ 50,709</u>	<u>\$ 212,312</u>	<u>\$ 43,084</u>	<u>\$306,105</u>	<u>\$ 207,956</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, 2018**

(With Comparative Totals for the Year Ended December 31, 2017)

	Operating Fund	Replacement Reserve Fund	Capital Fund	2018 Total	2017 Total
Balances January 1	\$ 131,246	\$ 1,515,604	\$ 68,448	\$ 1,715,298	\$ 1,507,342
Excess (Deficiency) of Revenues over (under) Expenses	<u>50,709</u>	<u>212,312</u>	<u>43,084</u>	<u>306,105</u>	<u>207,956</u>
Balances December 31	<u>\$ 181,955</u>	<u>\$ 1,727,916</u>	<u>\$ 111,532</u>	<u>\$ 2,021,403</u>	<u>\$ 1,715,298</u>

See accompanying notes to financial statements.