

**VILLA ROSARIO HOMEOWNERS' ASSOCIATION**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED DECEMBER 31, 2014 AND 2013**

## Independent Auditors' Report

The Board of Directors  
Villa Rosario Homeowners' Association:

We have audited the accompanying financial statements of Villa Rosario Homeowners' Association (the "Association"), which comprise the statements of assets and fund balances as of December 31, 2014 and 2013, and the related statements of revenues collected and expenses paid and changes in unrestricted fund balance for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Association'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 Association's internal control. Accordingly, we 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.

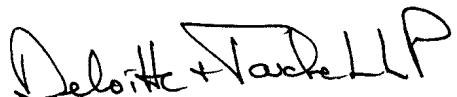
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the sources and uses of funds of the Villa Rosario Homeowners' Association for the years ended December 31, 2014 and 2013, in accordance with the cash basis of accounting described in Note 1 to the financial statement.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is fluid and cursive, with "Deloitte" and "Touche" connected by a horizontal stroke, and "LLP" at the end.

March 18, 2015

**VILLA ROSARIO HOMEOWNERS' ASSOCIATION**

Statements of Assets and Fund Balances  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
Cash	\$ 68,982	\$ 39,099
Time certificates of deposit	121,153	121,010
Land	<u>138,526</u>	<u>138,256</u>
	<u>\$ 328,661</u>	<u>\$ 298,365</u>

**FUND BALANCES**

Contingency

Fund balances:		
Unrestricted	\$ 190,135	\$ 160,109
Restricted for land	<u>138,526</u>	<u>138,256</u>
	<u>\$ 328,661</u>	<u>\$ 298,365</u>

See accompanying notes to financial statements.

## VILLA ROSARIO HOMEOWNERS' ASSOCIATION

### Statements of Revenue Collected and Expenses Paid and Changes in Unrestricted Fund Balance Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted fund balance at beginning of year	<u>\$ 160,109</u>	<u>\$ 214,520</u>
Revenue collected:		
Common area fees	287,555	290,467
Late charges	3,092	3,836
Interest income	154	229
Other	<u>1,403</u>	<u>1,371</u>
Total revenue collected	<u>292,204</u>	<u>295,903</u>
Expenses paid:		
Insurance	69,498	69,486
Security	35,163	36,561
Management, resident and financial	33,600	33,600
Utilities	29,560	30,645
General maintenance and repairs	25,426	115,284
Ground maintenance	24,924	28,554
Sanitation	21,747	21,333
Pool related	6,891	6,408
Fire alarm	6,197	3,360
Supplies	2,748	774
Air conditioner installation	1,885	-
Postage and reproduction	1,662	1,103
Basketball court project	1,155	550
Professional fees	374	1,273
Taxes	334	296
Miscellaneous	<u>1,014</u>	<u>1,087</u>
Total expenses paid	<u>262,178</u>	<u>350,314</u>
Revenue collected in excess of (less than) expenses paid	<u>30,026</u>	<u>(54,411)</u>
Unrestricted fund balance at end of year	<u>\$ 190,135</u>	<u>\$ 160,109</u>

See accompanying notes to financial statements.

## VILLA ROSARIO HOMEOWNERS' ASSOCIATION

Notes to Financial Statements  
December 31, 2014 and 2013

### (1) Organization and Summary of Significant Accounting Policies

#### Organization

The Villa Rosario Homeowners' Association (the Association) was organized on November 7, 1990 to maintain the infrastructure and common area of Villa Rosario condominiums (a condominium project) in Dededo, Guam.

#### Accounting Policies

The Association's financial statements are prepared on a cash basis. Revenue is recognized when cash is received and expenses are recorded when cash is disbursed.

#### Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for specific purposes, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors within confines established by approved annual budgets. Disbursements from the designated funds generally may be made only for designated purposes and through special assessments. No specific cash has been designated during the years ended December 31, 2014 and 2013. However, land developed for a play ground facility has been classified as designated funds as the Association has no current intent to use this land for alternative purposes.

#### Guam Income Taxes

The Association intends to file its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on uniform assessments to members and other income from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income. However, past practice has been to file as a C corporation. The Association is currently of the opinion that no material impact on the accompanying financial statements will result from the prospective resolution of this matter. For Guam income tax purposes, a tax year generally remains open to assessment and collection for three years after the later of the due date for filing a tax return or the date on which the tax payer files its return.

#### Cash

The Association considers cash to represent cash in bank checking and money market savings accounts and time certificates of deposit with initial maturities of ninety days or less. Time certificates of deposit with initial maturities of in excess of ninety days are separately classified. During the years ended December 31, 2014 and 2013, cash balances were maintained with financial institutions subject to depository insurance with the Federal Deposit Insurance Corporation or its equivalent.

#### Land

The Association carries land at the lower of cost or market.

## VILLA ROSARIO HOMEOWNERS' ASSOCIATION

### Notes to Financial Statements December 31, 2014 and 2013

#### (2) Contingency

The Association carries insurance for typhoon related losses. No losses have been incurred in excess of insurable limits during the years ended December 31, 2014 and 2013.

#### (3) Related Parties

The Association maintains its bank checking account and time deposits with a bank that employs the Association's president. Management is of the opinion that transactions with related parties are executed under the same general terms and conditions as are entered into with unrelated parties.

#### (4) Subsequent Events

The Association has identified March 18, 2015 as the date the financial statements were available to be issued and the date through which subsequent events have been evaluated. The Association has not identified any subsequent events that required adjustment to, or disclosure in, the financial statements as of December 31, 2014 and 2013.