

VILLA ROSARIO HOMEOWNERS' ASSOCIATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2021 AND 2020

Independent Auditors' Report

The Board of Directors
Villa Rosario Homeowners' Association

Opinion

We have audited the financial statements of Villa Rosario Homeowners' Association (the "Association"), which comprise the statements of assets and fund balances as of December 31, 2021 and 2020, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets and fund balances of the Association as of December 31, 2021 and 2020, and revenues collected and expenses paid for the years then ended in accordance with the cash basis of accounting described in Note 1 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

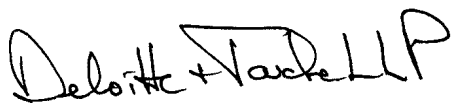
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



March 30, 2023

VILLA ROSARIO HOMEOWNERS' ASSOCIATION

Statements of Assets and Fund Balances
December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 161,108	\$ 159,360
Time certificates of deposit	122,769	122,746
Land	<u>138,526</u>	<u>138,526</u>
	<u>\$ 422,403</u>	<u>\$ 420,632</u>
 <u>FUND BALANCES</u> 		
Contingency		
Fund balances:		
Unrestricted available for operations	\$ 188,628	\$ 187,203
Unrestricted for special assessment purposes	<u>95,249</u>	<u>94,903</u>
Total unrestricted	283,877	282,106
Restricted for land	<u>138,526</u>	<u>138,526</u>
	<u>\$ 422,403</u>	<u>\$ 420,632</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, 2021 and 2020

	2021	2020
Unrestricted fund balance at beginning of year	\$ 282,106	\$ 358,119
Revenue collected:		
Common area fees	287,400	306,936
Special assessments, net	-	18,985
Late charges	1,840	1,723
Interest income	11	40
Other	5,679	9,463
Total revenue collected	294,930	337,147
Expenses paid:		
Insurance	69,506	69,506
Ground maintenance	43,200	49,200
Security	39,420	39,526
Management, resident and financial	37,900	36,200
Sanitation	28,912	25,951
Utilities	22,099	23,759
General maintenance and repairs	16,053	21,242
Pool deck project	14,680	-
Pool related	6,936	9,112
Fire related	2,560	-
Communication	2,268	-
Postage and reproduction	925	1,026
Supplies	512	-
Professional fees	-	5,391
Painting	-	117,251
Termite treatment	-	3,120
Miscellaneous	8,188	11,876
Total expenses paid	293,159	413,160
Revenue collected in excess of (less than) expenses paid	1,771	(76,013)
Unrestricted fund balance at end of year	\$ 283,877	\$ 282,106

See accompanying notes to financial statements.

VILLA ROSARIO HOMEOWNERS' ASSOCIATION

Notes to Financial Statements
December 31, 2021 and 2020

(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, 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020

(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, 2021 and 2020.

(3) Related Parties

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 30, 2023 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, 2021.