

**VILLA ROSARIO HOMEOWNERS' ASSOCIATION**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED DECEMBER 31, 2019 AND 2018**

## **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, 2019 and 2018, 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 assets and fund balances of the Villa Rosario Homeowners' Association as of December 31, 2019 and 2018, 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 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.

August 3, 2020

VILLA ROSARIO HOMEOWNERS' ASSOCIATION

Statements of Assets and Fund Balances  
December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 235,413	\$ 38,042
Time certificates of deposit	122,706	122,299
Land	<u>138,526</u>	<u>138,526</u>
	<u>\$ 496,645</u>	<u>\$ 298,867</u>
 <u>FUND BALANCES</u>  		
Contingency		
Fund balances:		
Unrestricted available for operations	\$ 164,570	\$ 160,341
Unrestricted for special assessment purposes	<u>193,549</u>	<u>-</u>
Total unrestricted	358,119	160,341
Restricted for land	<u>138,526</u>	<u>138,526</u>
	<u>\$ 496,645</u>	<u>\$ 298,867</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Unrestricted fund balance at beginning of year	\$ 160,341	\$ 207,961
Revenue collected:		
Common area fees	282,764	296,762
Special assessments, net	193,549	-
Late charges	1,560	2,410
Interest income	433	740
Other	<u>12,919</u>	<u>10,627</u>
Total revenue collected	<u>491,225</u>	<u>310,539</u>
Expenses paid:		
Insurance	69,506	69,506
Security	41,315	50,035
Ground maintenance	40,120	44,627
Utilities	39,594	25,761
Management, resident and financial	34,100	33,600
Sanitation	22,183	23,035
General maintenance and repairs	16,721	27,533
Pool related	9,823	13,302
Roof maintenance	6,550	-
Communication	2,374	2,576
Postage and reproduction	1,807	1,259
Supplies	1,357	1,979
Fire related	1,280	1,463
Professional fees	813	4,271
CCTV camera	554	1,018
Playground related	-	2,125
Building lights	-	10,874
Pool deck project	-	1,000
Painting	-	39,750
Termite treatment	-	1,200
Miscellaneous	<u>5,350</u>	<u>3,245</u>
Total expenses paid	<u>293,447</u>	<u>358,159</u>
Revenue collected in excess (less than) of expenses paid	<u>197,778</u>	<u>(47,620)</u>
Unrestricted fund balance at end of year	<u>\$ 358,119</u>	<u>\$ 160,341</u>

See accompanying notes to financial statements.

VILLA ROSARIO HOMEOWNERS' ASSOCIATION

Notes to Financial Statements  
December 31, 2019 and 2018

(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, 2019 and 2018. 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, 2019 and 2018, 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, 2019 and 2018

(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, 2019 and 2018.

(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 August 3, 2020 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, 2019.

(5) Special Assessment

During the year ended December 31, 2019, the Association made a special assessment. Gross collections during the year were \$234,136, which, net of discounts and refunds, realized net cash receipts of \$193,549.