

Ginsburg & Dwaileebe CPAs LLP

Certified Public Accountants and Consultants

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

OCTOBER 31, 2016

AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members
Arizona Biltmore Estates Village Association
Phoenix, Arizona

We have reviewed the accompanying financial statements of Arizona Biltmore Estates Village Association, which comprise the balance sheet as of October 31, 2016, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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. We have not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Ginsburg & Dwaileebe CPAs, LLP

Ginsburg & Dwaileebe CPAs, LLP
Gilbert, Arizona
April 29, 2017

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION
BALANCE SHEET
OCTOBER 31, 2016

ASSETS

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 406,529	\$ 980,072	\$ 1,386,600
Accounts receivable	5,070	-	5,070
Assessments receivable - northern road	76,365	-	76,365
Prepaid expenses	3,570	-	3,570
TOTAL ASSETS	491,533	980,072	1,471,604

LIABILITIES AND FUND BALANCES

LIABILITIES			
Accounts payable	1,794	-	1,794
Prepaid assessments	290,663	-	290,663
TOTAL LIABILITIES	292,457	-	292,457
FUND BALANCES	199,075	980,072	1,179,147
TOTAL LIABILITIES AND FUND BALANCES	\$ 491,533	\$ 980,072	\$ 1,471,604

See independent accountants' review report. The accompanying notes
are an integral part of these financial statements.

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED OCTOBER 31, 2016

	Operating Fund	Replacement Fund	Total
REVENUES			
Homeowner dues	\$ 370,078	\$ 96,000	\$ 466,078
Apartment dues	3,084	-	3,084
Interest income	1,009	6,262	7,271
Late fees	5,675	-	5,675
Transfer and disclosure fees	59,000	-	59,000
Cable proceeds	10,311	-	10,311
Northern road income	79,032	-	79,032
Fairway and 2 Biltmore Estates income	31,850	-	31,850
Voluntary income	3,550	-	3,550
TOTAL REVENUES	563,589	102,262	665,851
EXPENSES			
Utilities	19,484	-	19,484
Landscape and other maintenance	68,631	-	68,631
Security	181,201	-	181,201
Administration salaries and benefit	96,980	-	96,980
Other administration	63,545	-	63,545
General administration	44,652	-	44,652
Major repairs and replacements	-	200,848	200,848
TOTAL EXPENSES	474,493	200,848	675,341
Excess of Revenues over (under) Expenses	89,097	(98,586)	(9,490)
Fund Balances, Beginning of Year	309,979	878,658	1,188,637
Transfers between funds	(200,000)	200,000	-
Fund Balances, End of Year	\$ 199,075	\$ 980,072	\$ 1,179,147

See independent accountants' review report. The accompanying notes
are an integral part of these financial statements.

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2016

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over (under) expenses	\$ 89,097	\$ (98,586)	\$ (9,490)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities			
Decrease (increase) in			
Accounts receivable	7,430	-	7,430
Increase (decrease) in			
Accounts payable	1,794	-	1,794
Assessments paid in advance	(29,074)	-	(29,074)
Net cash provided by (used in) operating activities	<u>69,246</u>	<u>(98,586)</u>	<u>(29,340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers between funds	(200,000)	200,000	-
Net cash provided by (used in) financing activities	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(130,754)	101,414	(29,340)
CASH, BEGINNING OF YEAR	<u>537,282</u>	<u>878,658</u>	<u>1,415,941</u>
CASH, END OF YEAR	<u>\$ 406,529</u>	<u>\$ 980,072</u>	<u>\$ 1,386,600</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for income taxes	\$ 50	\$ -	\$ 50

See independent accountants' review report. The accompanying notes are an integral part of these financial statements.

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 1: NATURE AND ORGANIZATION

Arizona Biltmore Estates Village Association, (the “Association”), a non-stock homeowners association, was incorporated on June 29, 1979 under the general non-profit laws of the State of Arizona and was organized for the purposes of maintaining common areas, holding title to property and maintaining architectural control. The Association consists of 1,688 residential units, including single family homes, apartments and condominium complexes, town home subdivision and commercial property located in Phoenix, Arizona. In addition, 113 residential units in certain condominium and townhome subdivisions are not voting members of the Association, but are required to pay annual assessments and are subject to the Association’s architectural guidelines. There is a board of directors that is elected by its members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Association’s financial statements are prepared on the accrual basis of accounting; accordingly, revenues are recognized when earned and expenses are recognized when incurred. Assessments paid by members in advance are deferred and recognized as revenue when earned.

Fund Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

Cash and cash equivalents listed as operating are available for current operations and are not bound by any restriction or designation. Cash and cash equivalents listed as reserves are designated for future major repairs and replacements and are generally not available for current operations. The Association considers all liquid type investments with various maturities to be cash and cash equivalents including short term and long term certificates of deposits.

See independent accountants’ review report.

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Association has not established an allowance for doubtful accounts since, in the opinion of management, all receivables are generally deemed to be collectible. There were no bad debts recorded in the year ended October 31, 2016.

Property and Equipment

The Association may capitalize any purchased common real property to which it has title or other evidence of ownership. With any common real property the Association can either:

- a. Dispose of property, at the discretion of the Board of Directors, for cash or claims to cash, and it can retain the proceeds; or
- b. Use the property to generate significant cash flows from members on the basis of usage.

Real property and common areas acquired from the developer and related improvements to such property are not required to be recorded in the Association's financial statements because those properties were donated by the developer to the Association.

Purchased property and equipment are recorded at cost and depreciated using various acceptable methods over the estimated useful lives or expensed based on the established accounting policies of the Association. Repairs and maintenance are charged to expense as incurred.

Maintenance Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses and future major repairs and replacements. The Association's policy is to assess late fees and, if necessary, retain legal counsel and place liens on the properties of the homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year. Maintenance assessments were \$275 per unit for the year ended October 31, 2016, payable annually.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent accountants' review report.

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association files its income tax return as a homeowner's association in accordance with Internal Revenue Code Section 528 using Form 1120-H. Under that Section, the Association is not taxed on uniform assessments to members and other income received 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, which includes interest income.

Arizona income tax is based on the federal taxable income at 5.5% after adding the Form 1120-H \$100 specific deduction and deducting any net disbursements carryover from prior years.

The Association's federal income tax returns for 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed. The Association's state income tax returns for 2012, 2013, 2014 and 2015 are subject to examination generally for four years after they were filed.

NOTE 3: CONCENTRATION OF CREDIT RISK FOR CASH BALANCES

The Association maintains cash balances with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage, which as of October 31, 2016 was insured up to \$250,000 per institution. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of cash accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Association.

NOTE 4: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through April 29, 2017, the date which the financial statements were available to be issued.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is setting aside funds for future major repairs and replacements, as required by the governing documents, based on funding requirements determined by the Board of Directors and a professional reserve study. The funds set aside each year are generated from member assessments and other net revenues, and are periodically transferred from the operating checking account into segregated reserve cash accounts.

Actual expenditures may vary from the estimated funding amounts determined by the Board of Directors and the reserve study, and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association may increase regular assessments, levy special assessments or delay major repairs and replacements until funds are available.

See independent accountants' review report.

ARIZONA BILTMORE ESTATES VILLAGE ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
OCTOBER 31, 2016

The Association's board of directors engaged an independent consultant to conduct a study dated June 20, 2016, for the year beginning November 1, 2016, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair and replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance at October 31, 2016</u>
Oregon Avenue	0 - 27	\$ 58,288	\$ -
AZ Biltmore Circle	0 - 26	667,092	-
Biltmore Estates Drive	0 - 27	1,082,786	-
Colter Street	0 - 27	216,555	-
24th Parkway	0 - 26	160,638	-
Common Area	11 - 15	113,750	-
Office Equipment	0 - 6	39,000	-
Unallocated Funds		-	980,072
		<u>\$ 2,338,109</u>	<u>\$ 980,072</u>

See independent accountants' review report.