

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED  
DECEMBER 31, 2012**

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## **INDEPENDENT AUDITOR'S REPORT**

To Pulte Home Corporation and  
Divosta Homes, L.P.  
Naples, Florida

We have audited the accompanying financial statements of Villagewalk of Bonita Springs Homeowners Association, Inc., (the "Association") which comprise the balance sheet as of December 31, 2012, and the related statements of revenues and expenses, changes in fund balances and cash flows for the period year 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 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***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, 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.

#### **Affiliations**

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants - Management Consulting Services Division / Private Companies Practice Section / Tax Division

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Divosta Homes, L.P.  
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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 financial position of Villagewalk of Bonita Springs Homeowners Association, Inc. as of December 31, 2012 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.

### ***Emphasis of Matter***

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note E are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

The Association has not established a list of component comprising the future major repairs and replacement, and as such, we can not determine if the \$17,163 of reserve expenses comply with the Florida Statutes. If the replacement fund expenses totaling \$17,163 for the year ended December 31, 2012 were an operating expenditure, they would increase the Developer's subsidy by the same amount.

### ***Other Matter***

Management has not established and has omitted the supplementary schedule of future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considered it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary Statement of Revenues and Expenses - Operating Fund and Statement of

To Pulte Home Corporation and  
Divosta Homes, L.P.  
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Revenues and Expenses - Replacement fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Stroemer & Company, LLC", is written over the printed name of the firm.

STROEMER & COMPANY, LLC  
Fort Myers, Florida  
March 26, 2013

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEET  
December 31, 2012**

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	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,097,555	\$ 352,769	\$ 1,450,324
Assessments receivable, net	131,130	-	131,130
Accounts receivable - other	17,629	-	17,629
Gas receivable, net	13,164	-	13,164
Inventory	50,973	-	50,973
Prepaid expenses	204,766	-	204,766
Interfund receivable/payable	(9,736)	9,736	-
Utility deposits	22,681	-	22,681
<b>TOTAL ASSETS</b>	<b>\$ 1,528,162</b>	<b>\$ 362,505</b>	<b>\$ 1,890,667</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Note payable - insurance	\$ 26,746	\$ -	\$ 26,746
Accounts payable	84,726	-	84,726
Accrued expenses	112	-	112
Accrued liabilities	19	-	19
Due to Developer	40,546	-	40,546
Deferred activities	12,009	-	12,009
Prepaid assessments	383,434	-	383,434
Security deposits	16,600	-	16,600
<b>TOTAL LIABILITIES</b>	<b>564,192</b>	<b>-</b>	<b>564,192</b>
<b>FUND BALANCES</b>			
Capital contributions	631,855	-	631,855
Accumulated revenues over expenses	332,115	362,505	694,620
<b>TOTAL FUND BALANCES</b>	<b>963,970</b>	<b>362,505</b>	<b>1,326,475</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,528,162</b>	<b>\$ 362,505</b>	<b>\$ 1,890,667</b>

The accompanying notes are an integral part of this statement.

**VILLAGEWALK OF BONITA SPRINGS**  
**HOMEOWNERS ASSOCIATION, INC.**  
**STATEMENT OF REVENUES AND EXPENSES**  
**Year ended December 31, 2012**

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	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Assessments	\$ 3,814,300	\$ 111,960	\$ 3,926,260
Developer subsidy	532,424	-	532,424
Settlement income	50,970	-	50,970
Other income	55,128	-	55,128
Interest	4,113	1,349	5,462
Gas station, net	2,622	-	2,622
Room rental	2,160	-	2,160
<b>TOTAL REVENUES</b>	<b>4,461,717</b>	<b>113,309</b>	<b>4,575,026</b>
<b>EXPENSES</b>			
Neighborhood	1,217,988	-	1,217,988
Common area	991,085	-	991,085
Town center	819,331	-	819,331
Utilities	699,637	-	699,637
Building	416,061	-	416,061
Administrative	199,973	-	199,973
Car wash, net	2,649	-	2,649
Reserve expenses	-	17,163	17,163
<b>TOTAL EXPENSES</b>	<b>4,346,724</b>	<b>17,163</b>	<b>4,363,887</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	<b>\$ 114,993</b>	<b>\$ 96,146</b>	<b>\$ 211,139</b>

The accompanying notes are an integral part of this statement.

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CHANGES IN FUND BALANCES  
Year ended December 31, 2012**

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances, January 1, 2012	\$ 794,012	\$ 266,359	\$ 1,060,371
Capital contributions	54,965	-	54,965
Excess of revenues over (under) expenses	<u>114,993</u>	<u>96,146</u>	<u>211,139</u>
Balances, December 31, 2012	<u>\$ 963,970</u>	<u>\$ 362,505</u>	<u>\$ 1,326,475</u>

The accompanying notes are an integral part of this statement.



**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
Year ended December 31, 2012**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash collected from assessments	\$ 3,801,220	\$ 111,960	\$ 3,913,180
Cash collected from Developer	540,000	-	540,000
Cash paid to suppliers	(4,234,699)	(17,163)	(4,251,862)
Cash collected from settlement	2,510	-	2,510
Rental income received	2,160	-	2,160
Interest income received	4,113	-	4,113
Cash collected from other income	55,128	1,349	56,477
Net gas station revenue received	2,622	-	2,622
Interest paid	<u>(1,032)</u>	<u>-</u>	<u>(1,032)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	172,022	96,146	268,168
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Utility deposits paid	<u>(400)</u>	<u>-</u>	<u>(400)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(400)	-	(400)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital contributions received from unit owners	54,965	-	54,965
Interfund transfers	3,625	(3,625)	-
Proceeds from note payable - insurance	68,731	-	68,731
Principal payments on note payable - insurance	<u>(66,613)</u>	<u>-</u>	<u>(66,613)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>60,708</u>	<u>(3,625)</u>	<u>57,083</u>
NET CHANGE IN CASH CASH EQUIVALENTS	232,330	92,521	324,851
Cash and cash equivalents, as of January 1, 2012	<u>865,225</u>	<u>260,248</u>	<u>1,125,473</u>
CASH AND CASH EQUIVALENTS, AS OF DECEMBER 31, 2012	<u>\$ 1,097,555</u>	<u>\$ 352,769</u>	<u>\$ 1,450,324</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF EXCESS OF REVENUES  
OVER (UNDER) EXPENSES TO NET CASH PROVIDED  
BY (USED IN) OPERATING ACTIVITIES**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess of revenues over (under) expenses	\$ 114,993	\$ 96,146	\$ 211,139
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:			
Bad debt expense	69,282	-	69,282
Changes in assets and liabilities:			
Decrease in assessments receivable	(30,707)	-	(30,707)
Increase in accounts receivable - other	(11,181)	-	(11,181)
Increase in gas receivable	(2,218)	-	(2,218)
Increase in inventory	(31,475)	-	(31,475)
Decrease in prepaid expenses	56,634	-	56,634
Decrease in accounts payable	(5,239)	-	(5,239)
Decrease in accrued expenses	(38)	-	(38)
Decrease in accrued liabilities	(36)	-	(36)
Increase in due to Developer	7,576	-	7,576
Decrease in deferred activities	(1,196)	-	(1,196)
Increase in prepaid assessments	17,627	-	17,627
Decrease in security deposits	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 172,022</u>	<u>\$ 96,146</u>	<u>\$ 268,168</u>

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of organization**

Villagewalk of Bonita Springs Homeowners Association, Inc. (the "Association"), which is located in Bonita Springs, Florida was incorporated on March 3, 2004 under Chapter 617 of the Florida Statutes as a not-for-profit organization. The Declaration of Covenants, Conditions and Restrictions (the "Declaration") was filed in the official records of Lee County, Florida on August 6, 2004. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapter 720, and the provisions of the Declaration. The Association consists of 1,688 residential units of which 1,299 were closed as of December 31, 2012.

**Fund accounting**

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes into 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.

The Association prepares its financial statements on the accrual basis of accounting and in accordance with the "Real Estate - Common Interest Realty Association's Topic of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC")."

**Management estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the Association to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of

VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**Management estimates, continued**

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.

**Cash and cash equivalents**

For purposes of reporting cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Prepaid assessments**

Prepaid assessments represent amounts paid to the Association before the assessments were due.

**Capital contributions**

Pursuant to Section 8.2H of the Declaration:

The budget may include, without limitation the costs to establish an adequate reserve fund for replacement and/or capital refurbishment of the Common Areas and the payment of other common expenses (the "Capital Contributions") in the amounts determined proper and sufficient by the Board, if any. Each owner acknowledges, understands and consents that Capital Contributions are the exclusive property of the Association as a whole, and that no owner shall have any interest, claim or right to any such Capital Contributions or funds composed of the same.

The Association collected capital contributions for the year ended December 31, 2012 as follows:

Model	Amount
Capri, Carrington	\$ 509
Carlyle	\$ 581
Cayman, Dublon	\$ 491
Estate series: Dunwoody, Morningside	\$ 581
Garden series: Grey Mist, Pine Spring	\$ 513
Oakmont, Surrey Crest, Classic, Vernon Hill	\$ 545

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HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Capital contributions, continued**

The following is a breakdown of capital contributions transactions for the year ended December 31, 2012:

	<u>Amount</u>
Capital contributions	<u>\$ 54,965</u>

**Property and equipment**

The Association follows prevalent industry practice, as contained in the "Real Estate - Common Interest Realty Associations Topic of the FASB ASC" in accounting for the common property of the Association. Property that is not directly associated with the units is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property at the discretion of the Board of Directors or the property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers. As a result, commonly owned assets are not recorded on the Association's financial statements. Assets not recorded on the books of the Association include fountain, guardhouse, recreational facilities and roadways. Property directly associated with the units is not capitalized.

The Association capitalizes personal property at cost and depreciates it using the straight line method.

**Income taxes**

The Association has selected a December 31 year-end and files its income tax return as a regular Corporation under Section 277 of the Internal Revenue Code. Under this Section, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Due to the nature of the Association's operations, the Association believes it is remote that it would utilize either type of loss carryforward. As a result, it is the Association's policy not to disclose the deferred tax asset and related valuation allowance associated with these carryforwards. Any net membership income not applied

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Income taxes, continued**

to the subsequent tax year under Revenue Ruling 70-604 is subject to taxation. The Association files Form 1120, which has graduated federal tax rates of 15% to 39% and a state tax rate of 5.5%, after a \$5,000 income exclusion.

The Association incurred no federal or state income tax expense.

The Association's tax filings are subject to audit by various taxing authorities. Certain income tax returns filed by the Association remain open to examination by these government agencies. The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Association adopted this guidance. The Association has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

**Interest earned**

Interest income earned in the operating fund or the replacement fund is recorded in its respective fund.

**Concentration of credit risk**

The Association maintains accounts at financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billings to unit owners who pay quarterly assessments and live within the complex. The Association does not anticipate credit losses in the near future.

**Fair value of financial instruments**

The carrying value of cash and cash equivalents, receivables, inventory, prepaid, payables, deferred activities, and amounts due from the Developer approximate fair value due to the short maturity of these financial instruments.

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Revenue recognition**

Assessment revenue is recorded quarterly in the amount of the assessment allocation specified for current period operations, based on the annual budget adopted by the Board of Directors. Each unit owner is an Association member and an equal portion of the assessment based on unit model is assessed for each unit.

The revenues generated by the gas station, car wash at the Town Center and social activities have been offset by the related expenses of operations, and are treated as revenue when sold.

Other income consist of late fees, attorney fees, interest, fines and other miscellaneous income and is recorded as revenue when earned.

**NOTE B - ASSESSMENTS RECEIVABLE**

Assessments receivable are carried at the original charge amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Assessments receivable are written off when deemed uncollectible. Recoveries of assessments receivable previously written off are recorded when received.

An assessment receivable is considered to be past due if any portion of the receivable balance is outstanding for more than one month. A late fee is charged on assessments receivable that are outstanding for more than one month and is recognized as income as it is charged.

As of December 31, 2012, the Association had assessments receivable of:

	<u>Amount</u>
Assessments receivable	\$ 386,023
Allowance for doubtful accounts	<u>(254,893)</u>
	<u>\$ 131,130</u>

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE C - GAS RECEIVABLE**

During 2011, the Association's gas vendor, REB Oil, filed for bankruptcy. Accordingly the Association estimated \$78,210 of the \$86,900 as uncollectible at that time. During the year ended December 31, 2012, the Association determined the remaining \$8,690 as uncollectable, and wrote off the entire amount due from REB Oil.

The Association also has \$13,164 due from the new gas vendor which is included in gas receivables.

**NOTE D - INVENTORY**

Inventory consist of fuel purchased for the Association's gas station. Inventory is recorded at the lower of cost or market.

**NOTE E - PREPAID EXPENSES**

Prepaid expenses consist of the following at December 31, 2012:

	Amount
Prepaid insurance	\$ 7,593
Prepaid security	154,917
Prepaid activities	42,256
	<u>\$ 204,766</u>

**NOTE F - DUE TO DEVELOPER**

In accordance with the provisions of the Declaration Section 8.1E:

The Developer shall be obligated for the difference between the amount of Assessments levied on all Units on which Assessments have commenced, and which are subject to this Declaration as of the first day of any fiscal year, and the amount of actual expenditures required to operate the Association until the Transfer Date ("Shortfall Obligation"). The Shortfall Obligation lapses on the Transfer Date. So long as the Developer is obligated for the Shortfall Obligation, the Developer shall be exempted from the payment of any Assessments for Common Expenses and any Capital Contributions (defined above). The Developer's obligation may be satisfied in the form of a cash subsidy or by "in kind"



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HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE F - DUE TO DEVELOPER, CONTINUED**

contributions of services or materials, or a combination of these. The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services or materials or a combination of services and materials with the Developer or other entities for the payment of some portion of the Common Expenses.

The Association has recorded a prior period adjustment of \$214,500 to record security invoices overpaid in prior years, which result in an increase in prepaid expenses and a decrease in Due from Developer. (NOTE L)

The Developer's obligation to the Association for the year ended December 31, 2012 is \$532,424. For the year ended December 31, 2012, the Developer had made total payments of \$540,000 to the Association, and had a restated due to Developer at December 31, 2011 of \$32,970 leaving a due to Developer of \$40,546 at December 31, 2012.

This is comprised of the following items:

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
Common expenses (other than reserves)	\$ 4,346,724	\$ -	\$ 4,346,724
Budgeted reserves	-	111,960	111,960
Assessments from unit owners other than the Developer	<u>(3,814,300)</u>	<u>(111,960)</u>	<u>(3,926,260)</u>
Developer's subsidy obligation	532,424	-	532,424
Payments made by the Developer	<u>(540,000)</u>	<u>-</u>	<u>(540,000)</u>
Due from Developer at December 31, 2011, as previously stated	181,530	-	181,530
Prior period adjustment	<u>(214,500)</u>	<u>-</u>	<u>(214,500)</u>

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**

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**NOTE F - DUE TO DEVELOPER, CONTINUED**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Due to Developer at December 31, 2011, as restated	<u>(32,970)</u>	<u>-</u>	<u>(32,970)</u>
Due to Developer	<u>\$ (40,546)</u>	<u>\$ -</u>	<u>\$ (40,546)</u>

**NOTE G - REPLACEMENT FUND**

The Association's governing documents allow for the Association to accumulate funds for future major repairs and replacements, unless funding is waived or modified by the unit owners at a unit owner meeting. These funds are generally not available for expenditures for normal operations.

The accumulation of these funds occurs by an allocation of the assessment charged to each unit owner specifically designated for the fund in the annual budget. Deductions from the fund are recorded at cost, when incurred, which are determined by the Association's Board of Directors.

The Association has not estimated the remaining lives and replacement costs of its common property, and there has not been a formal study for future repairs and maintenance.

The Association is currently partially funding for such major repairs and replacements based on budgeted amounts, using the pooling method. Actual expenditures may vary from budgeted amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, or delay repairs and replacements until funds are available.

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**

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**NOTE G - REPLACEMENT FUND, CONTINUED**

The following presents the changes in the replacement fund:

<u>Component</u>	<u>Beginning Fund Balance</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Ending Fund Balance</u>
Restricted for:				
Future deferred maintenance and capital expenditures	<u>\$ 266,359</u>	<u>\$ 113,309</u>	<u>\$ (17,163)</u>	<u>\$ 362,505</u>

The following represents replacement fund expenses for the year ended December 31, 2012:

Tread blaster cleaner	\$ 958
Lake pump	2,302
Clean marble floor	7,000
New tile floor	<u>6,903</u>
	<u>\$ 17,163</u>

**NOTE H - RELATED PARTIES**

**Developer**

During the year ended December 31, 2012, the Association's Board of Directors was controlled by Divosta Homes, L.P. (the "Developer"). As such, the Developer controls the Association's management, policy setting, and finances. For the year ended December 31, 2012, approximately 12% of the Association's revenue was derived from the Developer. As of December 31, 2012, the Association had a balance due to the Developer of \$40,546.

**Community Development District**

The Association's geographic territory is encompassed within the Villagewalk of Bonita Springs Community Development District, which is a local limited special single purpose government agency designed to provide community related services to its residents by maintaining the Community's infrastructure.

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE I - LEASES**

The Association leases various retail space in the Town Center to tenants under operating leases with terms of three to four years, expiring on December 31, 2013 and 2014. Total rental income for the year ended December 31, 2012 was \$535, and is included with rental income. The Association may cancel leases with 30 days notice.

**NOTE J - NOTE PAYABLE - INSURANCE**

The Association entered into a premium financing agreement with a financing company to finance insurance premiums. The note calls for monthly payments of \$6,999, bearing interest of 3.99%, with a final payment due in April 2013. At December 31, 2012, the principal balance remaining was \$26,746.

**NOTE K - COMMITMENTS**

The Association has a ten-year contract with a nationwide cable television provider ending July, 2014. At the end of the initial term, the cable television provider shall have the option to extend the agreement for an additional period of five years provided that the cable television provider gives the Association written notice of its intent to exercise this option at least ninety days prior to the expiration of the initial term.

Estimated projected future expenses of the Association under this contract are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 572,844
2014	334,159
	<u>\$ 907,003</u>

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**

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**NOTE L - SETTLEMENT**

During the year ended December 31, 2012, the Association settled a claim with the security vendor for charges in excess of contracted amounts. As part of the settlement agreement the Association received \$265,470, of which \$2,510 was received in cash and \$108,043 was applied to 2012 security invoices. The remaining \$154,917 will be applied to future security invoices through January 2014.

The settlement was allocated to the following periods:

	<u>Amount</u>
Before January 1, 2012	\$ 214,500
During the year ended December 31, 2012	<u>50,970</u>
	<u>\$ 265,470</u>

**NOTE M - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 26, 2013, the date which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES -  
OPERATING FUND  
Year ended December 31, 2012**

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	<u>Amount</u>
<b>REVENUES</b>	
Assessments	\$ 3,814,300
Developer subsidy	532,424
Settlement income	50,970
Other income	55,128
Gas station, net	2,622
Interest	4,113
Room rental	<u>2,160</u>
TOTAL REVENUES	4,461,717
<b>EXPENSES</b>	
<b>UTILITIES</b>	
Electric - street lights	94,523
Electric - pumps and fountains	44,740
Guardhouse - electric/water/sewer	2,924
Water and sewer	3,006
Cable television	550,150
Internet	<u>4,294</u>
Total utilities	699,637
<b>BUILDING</b>	
Broadview security monitoring	226,998
Guard service - entry and roving	180,974
Entry gates - maintenance/replacement	3,154
Guard house supplies and janitorial	690
Security system software and computers	<u>4,245</u>
Total building	416,061
<b>TOWN CENTER</b>	
Air conditioning units	12,368
Bocce ball court equipment	1,096
Building supplies	19,018
Building equipment rental	4,600
Computers and printers - library	1,192

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES -  
OPERATING FUND, CONTINUED  
Year ended December 31, 2012**

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	<u>Amount</u>
<b>EXPENSES, CONTINUED</b>	
<b>TOWN CENTER, CONTINUED</b>	
Computer and printer - office	4,000
Holiday decorating	10,000
Electricity	70,063
Equipment	4,892
Fees and permits	733
Fire alarm systems	2,298
Fire safety equipment repairs	1,147
Fitness center	1,632
Fitness equipment repairs	6,640
Furniture and equipment TC	4,500
Fitness - gym wipes	2,389
Golf cart	697
Insurance	83,495
Lighting supplies and lamps	3,877
Newsletter	19,400
Office expenses	6,001
Personnel salaries	424,275
Pest control	1,493
Janitorial supplies	7,856
Pool heat	2,063
Pool maintenance and chemicals	47,167
Telephones	13,177
Town center phones preventative maintenance	755
Tennis court maintenance	3,173
Trash disposal	5,081
Uniforms	435
Water and sewer	53,818
Total town center	<u>819,331</u>
<b>COMMON AREA</b>	
Annual plantings	944
Building, bridge and sidewalk	14,139
Fountain repairs and maintenance	2,772



**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES -  
OPERATING FUND, CONTINUED  
Year ended December 31, 2012**

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	<u>Amount</u>
<b>EXPENSES, CONTINUED</b>	
COMMON AREA, CONTINUED	
Mosquito management program	11,375
Irrigation maintenance	31,390
Landscape maintenance	561,088
Landscape replacement	42,381
Pest control	13,581
Lake bank weed wack	4,996
Mulch	114,383
Lighting	452
Irrigation pump repair	18,641
Irrigation parts	104,111
Tree trimming	14,692
Aeration maintenance	2,892
Lake maintenance	46,958
Erosion control	2,436
Potable irrigation water	3,854
	<hr/>
Total common area	991,085
 NEIGHBORHOOD	
Irrigation	88,436
Landscape maintenance contract	828,884
Landscape replacement contract	103,984
Mulch	122,692
Tree trimming	73,992
	<hr/>
Total neighborhood	1,217,988
 ADMINISTRATIVE	
Management fees	77,632
Corporate annual fee	61
Office expenses	8,774
Bank service	348
Legal	31,753
Other fees and taxes	8,853

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES -  
OPERATING FUND, CONTINUED  
Year ended December 31, 2012**

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	<u>Amount</u>
<b>EXPENSES, CONTINUED</b>	
ADMINISTRATIVE, CONTINUED	
SFWMD water use permit	600
Contingency	592
Bad debt	69,282
Annual meeting expense	1,046
Interest	<u>1,032</u>
Total administrative	199,973
 CAR WASH, NET	 <u>2,649</u>
 TOTAL EXPENSES	 <u>4,346,724</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENSES	 <u>\$ 114,993</u>

**VILLAGEWALK OF BONITA SPRINGS  
HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES -  
REPLACEMENT FUND  
Year ended December 31, 2012**

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	<u>Amount</u>
<b>REVENUES</b>	
Assessments	\$ 111,960
Interest income	<u>1,349</u>
TOTAL REVENUES	113,309
<b>EXPENSES</b>	
Tread blaster cleaner	958
Lake pump	2,302
Clean marble floor	7,000
New tile floor	<u>6,903</u>
TOTAL EXPENSES	<u>17,163</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u><u>\$ 96,146</u></u>