

**SUNBIRD GOLF RESORT HOMEOWNERS
ASSOCIATION, INC.**

(AN ARIZONA CORPORATION)

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITOR'S REPORT)

AS OF

DECEMBER 31, 2016 AND 2015

AND FOR THE YEARS THEN ENDED

**SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
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Independent Auditor's Report

To the Board of Directors
SunBird Golf Resort Homeowners Association, Inc.
Chandler, Arizona

I have audited the accompanying financial statements of SunBird Golf Resort Homeowners Association, Inc. which comprise the balance sheets as of December 31, 2016 and 2015 and the related statements of revenues, expenses and changes in fund balances and cash flows 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 representation 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 the internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of SunBird Golf Resort Homeowners Association, Inc. as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter-Supplementary Information

SunBird Golf Resort Homeowners Association, Inc. has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is necessary to supplement, the basic financial statements.


Joel D. Huber, CPA, P.C.
February 23, 2016

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current assets		
Cash - operating	\$ 414,498	\$ 436,117
Cash - reserve fund	457,986	502,454
Cash - contingency fund	67,917	0
Cash - capital improvement fund	67,511	14,556
Cash - special projects fund	4,539	5,885
Assessments receivable	5,399	17,040
Inventory	37,314	56,478
Deposits, work in progress and prepaids	<u>62,748</u>	<u>48,782</u>
Total current assets	1,117,912	1,081,312
Capital assessments due from homeowners	20,433	24,145
Property and equipment, net	<u>4,050,405</u>	<u>3,955,664</u>
Total assets	<u>\$ 5,188,750</u>	<u>\$ 5,061,121</u>
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 2,106	\$ 6,680
Accrued liabilities	25,370	20,223
Prepaid homeowner dues	<u>518,179</u>	<u>518,439</u>
Total current liabilities	545,655	545,342
Long term liabilities	<u>0</u>	<u>0</u>
Total liabilities	<u>545,655</u>	<u>545,342</u>
 FUND BALANCES		
Operating fund balance	4,185,109	4,013,325
Reserve fund balance	<u>457,986</u>	<u>502,454</u>
Total fund balances	<u>4,643,095</u>	<u>4,515,779</u>
Total liabilities and fund balance	<u>\$ 5,188,750</u>	<u>\$ 5,061,121</u>

See the accompanying notes to the financial statements.

**SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

REVENUES	<u>2016</u>	<u>2015</u>
Member assessments	\$ 1,434,400	\$ 1,385,500
Special assessments	0	89,660
Interest	2,457	1,995
Food and beverage sales	614,574	600,006
Other income	<u>362,399</u>	<u>347,715</u>
Total assessments, revenues and gains	<u>2,413,830</u>	<u>2,424,876</u>
EXPENSES AND LOSSES		
Food and beverage	669,171	714,032
Administration	399,721	389,552
Clubhouse	347,612	333,491
Common area	239,507	246,670
Patrol	147,614	146,792
Private roads	122,611	118,825
Recreation	78,780	64,474
Post office	32,734	33,193
Depreciation	<u>248,764</u>	<u>240,318</u>
Total Expenses and losses	<u>2,286,514</u>	<u>2,287,347</u>
EXCESS (DEFICIT) OF ASSESSMENTS AND REVENUES OVER EXPENSES	<u>\$ 127,316</u>	<u>\$ 137,529</u>

See the accompanying notes to the financial statements.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>Total</u>	<u>Operating</u>	<u>Reserve</u>
Fund balances, December 31, 2014	\$ 4,378,250	\$ 3,959,611	\$ 418,639
Excess of assessments and revenues over expenses	137,529	137,529	0
Net transfers for future repairs and replacements	0	(83,815)	83,815
Fund balances, December 31, 2015	\$ 4,515,779	\$ 4,013,325	\$ 502,454
Excess of assessments and revenues over expenses	127,316	127,316	
Net transfers for future repairs and replacements	0	44,468	(44,468)
Fund balances, December 31, 2016	<u>\$ 4,643,095</u>	<u>\$ 4,185,109</u>	<u>\$ 457,986</u>

See the accompanying notes to the financial statements.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of assessments and revenues over expenses	\$ 127,316	\$ 137,529
Adjustments to reconcile excess of assessments and revenues over expenses to net cash flows from operating activities:		
Depreciation	248,764	240,318
(Increase) decrease in:		
Receivables	11,641	2,813
Inventory	19,164	(14,207)
Deposits and prepaids	(13,966)	11,892
Increase (decrease) in:		
Accounts payable	(4,574)	(5,183)
Accrued liabilities	5,147	10
Prepaid homeowner dues	(260)	50,726
Net cash flows from operating activities	393,232	423,898
 CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to equipment	(343,505)	(714,067)
Net cash flows from investing activities	(343,505)	(714,067)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of capital assessments due from homeowners	3,712	10,271
Net cash flows from financing activities	3,712	10,271
 Net increase (decrease) in cash	53,439	(279,898)
CASH, beginning of year	959,012	1,238,910
CASH, end of year	\$ 1,012,451	\$ 959,012
 SUMMARY OF CASH ACCOUNTS		
Cash - operating	414,498	436,117
Cash - reserve fund	457,986	502,454
Cash - contingency fund	67,917	0
Cash - capital improvement fund	67,511	14,556
Cash - special projects fund	4,539	5,885
	\$ 1,012,451	\$ 959,012
 SUPPLEMENTAL DISCLOSURE		
Income taxes paid	\$ 50	\$ 50
Interest paid	\$ 0	\$ 0

See the accompanying notes to the financial statements.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - ORGANIZATION

SunBird Golf Resort Homeowners Association, Inc. (the Association), a non-profit corporation, was incorporated in Arizona on March 15, 1987, to operate, maintain, and manage the common areas, the improvements and facilities thereon, and the private roadways in the SunBird development.

The development covers approximately 320 acres with 1,631 lots.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of Assessments, Revenues and Expenses

Assessments, revenues and expenses are recognized on the accrual method. Under this method, assessments are recognized as revenue in the applicable membership period. Other revenue is recognized when earned and expenses are recognized when incurred.

Cash Equivalents and Short-term Investments

Cash and cash equivalents consist primarily of cash on hand, operating bank accounts, money market accounts and commercial paper with original maturities of 90 days or less. Certificates of Deposit and/or other securities, with original maturities more than 90 days, are classified as short-term investments.

Assessments Receivable

The Association uses the direct write-off method with respect to uncollectible regular homeowner assessments. No allowance for doubtful accounts has been provided at December 31, 2016. In the opinion of management, all regular homeowner assessments receivable are fully collectible.

Property and Equipment

Property and equipment acquired by using the Association's funds are recorded at cost. Maintenance and repairs to property and equipment are generally expensed as incurred. Extraordinary and significant improvements are capitalized and depreciated over their estimated useful lives using the straight-line method of depreciation.

The Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that is used to generate significant cash flows from members on the basis of usage or from nonmembers. The Association has the responsibility to maintain the amenities and receives all assessments and fees generated by the amenities. The property not capitalized consists of land, roadways, parking areas, sidewalks and other landscape rights-of-way.

Income Taxes

Homeowners' Associations may be taxed either as homeowners' associations or as regular corporations. In 2016, the Association elected to be taxed as a homeowners' association. This election results in no taxes owed on net income of the association. Federal filing fees will be \$50.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Employee Paid Time Off

Employee paid time off (i.e. vacation time) is accrued when earned by employees.

Deposits, work in progress and Prepays

Deposits, work in progress and prepaids consists of the following items at December 31, 2016: deposits, \$2,592; prepaid insurance, \$33,272; other prepaid expenses, \$5,628; and work in progress, \$21,256.

NOTE 3 - CAPITAL ASSESSMENTS DUE FROM HOMEOWNERS

In accordance with the deed restrictions, in December 1995, the Association purchased the SunBird clubhouse, fixtures, improvements and other non-golf recreational facilities. As the cost of the amenities plus subsidies exceeded the maximum payable by the homeowners, the cost of the amenities was limited to \$2,200 per lot, payable on January 1, 2000, with discounts permitted for early payment.

The assessment was due as follows:

- a) If prior to January 1, 2000, an amount discounted to the date of payment, using an interest rate of 8%.
- b) If paid on January 1, 2000, \$2,200.
- c) Thereafter, payable at \$16.50 per month, for 40 years, including interest of 10% and a processing fee.

The cost of amenities was determined by multiplying the number of lots covered by the agreement (1610) by \$2,200.

The capital assessment receivable from the lot owners is determined by multiplying the number of homeowners still owing by \$2,200 and reducing this amount by principal payments on the assessment due.

**SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 200,000	\$ 200,000
Buildings	4,530,357	4,530,357
Equipment	1,011,913	961,761
Furniture and fixtures	248,251	238,121
Automobiles	58,056	47,569
Roadway improvements	1,656,014	1,396,960
Tennis court	<u>270,714</u>	<u>257,031</u>
	7,975,305	7,631,799
Less accumulated depreciation	<u>(3,924,900)</u>	<u>(3,676,135)</u>
	<u>\$ 4,050,405</u>	<u>\$ 3,955,664</u>

Depreciation expense was \$248,764 and \$240,318 for 2016 and 2015, respectively.

NOTE 5 - REPAIRS AND RESERVES

The Association has conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. During 1996, the Association adopted a program to begin accumulating funds for future major repairs and replacements. When reserve funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Association's assessments, revenues and receivables are from residents within the local community.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events thru February 23, 2016, the date the financial statements were prepared. There were no material subsequent events that required recognition or additional disclosure in these financial statements.