

DEVONWOOD COMMUNITY ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For the Period Ended July 20, 2007

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

DEVONWOOD COMMUNITY ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For the Period Ended July 20, 2007

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JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT


Board of Directors
Devonwood Community Association, Inc.

I have audited the accompanying balance sheet of Devonwood Community Association, Inc. as of July 20, 2007, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the period January 1, 2007 through July 20, 2007. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Devonwood Community Association, Inc. as of July 20, 2007, and the results of its operations and its cash flows for the period January 1, 2007 through July 20, 2007, in conformity with accounting principles generally accepted in the United States of America.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Devonwood Community Association, Inc. has not presented this supplementary information.



Joseph V. Marullo, Sr., CPA LLC

Orlando, Florida
October 5, 2007

DEVONWOOD COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
July 20, 2007

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 6,966	\$10,068	\$17,034
Investments	-	22,094	22,094
Assessments receivable, net of allowance for doubtful accounts of \$2,062	10,582	-	10,582
Due from Operating Fund	-	44,913	44,913
Deposits	<u>368</u>	<u>-</u>	<u>368</u>
	<u>\$ 17,916</u>	<u>\$77,075</u>	<u>\$94,991</u>
LIABILITIES AND FUND BALANCES			
Deferred assessments	\$ 12,225	\$ -	\$12,225
Due to Replacement Fund	44,913	-	44,913
Prepaid assessments	<u>3,471</u>	<u>-</u>	<u>3,471</u>
TOTAL LIABILITIES	<u>60,609</u>	<u>-</u>	<u>60,609</u>
FUND BALANCES (DEFICIT)	<u>(42,693)</u>	<u>77,075</u>	<u>34,382</u>
	<u>\$ 17,916</u>	<u>\$77,075</u>	<u>\$94,991</u>

See accompanying notes to financial statements

DEVONWOOD COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
Period January 1, 2007 through July 20, 2007

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Assessments	\$ 41,087	\$ 1,701	\$ 42,788
Interest income	748	954	1,702
Other	<u>(735)</u>	<u>-</u>	<u>(735)</u>
	<u>41,100</u>	<u>2,655</u>	<u>43,755</u>
EXPENSES			
Grounds maintenance	23,104	-	23,104
Postage and printing	1,323	-	1,323
Professional fees	3,821	-	3,821
Licenses, fees, and taxes	612	-	612
Insurance	3,145	-	3,145
Management fees	5,424	-	5,424
Special project	28,900	-	28,900
Beautification	1,312	-	1,312
Miscellaneous	2,161	-	2,161
Major repairs and replacements	<u>-</u>	<u>300</u>	<u>300</u>
	<u>69,802</u>	<u>300</u>	<u>70,102</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(28,702)	2,355	(26,347)
FUND BALANCES - (DEFICIT) - BEGINNING	<u>(13,991)</u>	<u>74,720</u>	<u>60,729</u>
FUND BALANCES - (DEFICIT) - ENDING	<u><u>\$ (42,693)</u></u>	<u><u>\$ 77,075</u></u>	<u><u>\$ 34,382</u></u>

See accompanying notes to financial statements

DEVONWOOD COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Period January 1, 2007 through July 20, 2007

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments	\$ 47,014	\$ 1,701	\$ 48,715
Interest received	748	954	1,702
Operating expenses paid	(70,752)	-	(70,752)
Replacement expenses paid	-	-	-
Net change in fund balances	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
	<u>2,010</u>	<u>(22,345)</u>	<u>(20,335)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(22,094)	(22,094)
NET INCREASE (DECREASE) IN CASH	2,010	(44,439)	(42,429)
CASH - BEGINNING OF PERIOD	<u>4,956</u>	<u>54,507</u>	<u>59,463</u>
CASH - END OF PERIOD	<u>\$ 6,966</u>	<u>\$ 10,068</u>	<u>\$ 17,034</u>
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$(28,702)	\$ 2,355	\$(26,347)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable (net)	(4,153)	-	(4,153)
Prepaid insurance	2,818	-	2,818
Due from operating fund	-	(24,700)	(24,700)
Increase (decrease) in:			
Accounts payable	(786)	-	(786)
Deferred assessments	12,225	-	12,225
Income taxes payable	-	-	-
Due to replacement fund	24,700	-	24,700
Prepaid assessments	<u>(4,092)</u>	<u>-</u>	<u>(4,092)</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,010</u>	<u>\$(22,345)</u>	<u>\$(20,335)</u>

See accompanying notes to financial statements

DEVONWOOD COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION

Devonwood Community Association, Inc. (the Association), is incorporated under the laws of the State of Florida as a not-for-profit corporation, for the purpose of the operation and maintenance of the common property of Devonwood located in Orlando, Florida. Devonwood consists of 157 residential units. The Association is managed by the Board of Directors (the Board). The members of the Association are the owners of the residential units.

The Board has contracted with Boyle Management Services, Inc. (the Property Manager) to manage the property.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the Association maintains its accounts in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. The financial activities of the Association are reported in funds as follows:

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

Replacement Fund - used to account for assessments and related costs for major replacements and deferred maintenance.

Property and Equipment

Real property owned by individual unit owners in common and improvements to such property are not capitalized in the financial statements.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. At July 20, 2007, the Association had assessments receivable of \$10,582, net of allowance for doubtful accounts of \$2,062.

DEVONWOOD COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Quarterly assessments to members were \$116.80 during the period ended July 20, 2007. \$4.64 per unit per quarter during the period was designated for the replacement fund.

Allocation of Revenue and Expenses to Unit Owners

Revenues and expenses are allocated equally among all of the units within the Association.

Statement of Cash Flows

The Association considers all investments with an original maturity of three months or less to be cash equivalents.

Investments

The Association invests in certificates of deposit that are valued at cost plus accrued interest, which approximates market. The investments mature in 2008.

Estimates

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

NOTE C - INCOME TAXES

Homeowners' associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a homeowners' association for the year ended December 31, 2006. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. There were no federal taxes due for 2006.

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Homeowners' associations were not required by Florida Statutes to provide funding for future major repairs and replacements of common property prior to June 30, 2007. However, accounting principles prescribed by the audit and accounting guide issued by the American Institute of Certified Public Accountants require homeowners' associations to disclose information about its funding for future major repairs and replacements.

Specific disclosures shall include: 1) requirements in statutes or association documents for accumulating funds, 2) a description and compliance with the funding policy, 3) a statement that funds are being accumulated based on estimates and that actual expenditures may vary, 4) amounts assessed in the current period, and 5) a statement indicating whether a study was conducted.

DEVONWOOD COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Accumulated funds, which aggregate \$32,162 at July 20, 2007, are held in separate bank accounts and are not generally available for operating purposes. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

Beginning on July 1, 2007, Chapter 720, Florida Statutes was revised to require homeowner associations to begin funding for reserves or continue funding reserve accounts on a regular basis.

NOTE E - SUPPLEMENTAL CASH FLOW INFORMATION

Income taxes paid	<u>\$0</u>
Interest paid	<u>\$0</u>

NOTE F - DUE FROM OPERATING FUND/DUE TO REPLACEMENT FUND

At July 20, 2007, the Operating Fund owed the Replacement Fund \$44,913. At December 31, 2006, the due from Operating Fund to Replacement Fund total was \$20,213. During 2007, there were additional inter-fund borrowings of \$24,700. Also, there were reserve components with negative balances as shown on Page 9.

ADDITIONAL INFORMATION

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Devonwood Community Association, Inc.

My report on my audit of the financial statements of Devonwood Community Association, Inc. for July 20, 2007, appears on Page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Changes in Replacement Fund Balances on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Joseph V. Marullo, Sr., CPA LLC

Orlando, Florida
October 5, 2007

DEVONWOOD COMMUNITY ASSOCIATION, INC.
SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES
Period ended July 20, 2007

<u>Common Area Component</u>	<u>Beginning Fund Balance</u>	<u>Additions to Fund</u>	<u>Charges to Fund</u>	<u>Transfers</u>	<u>Components of Ending Fund Balance</u>
Tennis courts	\$ 51,516	\$ 343	\$ -	\$(15,000)	\$ 36,859
Sign & walls	(10,877)	376	-	-	(10,501)
Pool resurf. & deck	46,898	1,015	-	-	47,913
Cabana	9,327	343	300	-	9,370
Fence	(22,144)	-	-	-	(22,144)
Insurance deductible	-	-	-	15,000	15,000
Interest	-	578	-	-	578
	<u>\$ 74,720</u>	<u>\$ 2,655</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 77,075</u>