

DEVONWOOD COMMUNITY ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2008

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

DEVONWOOD COMMUNITY ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2008

DEVONWOOD COMMUNITY ASSOCIATION, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	2
Statement of Revenues, Expenses, and Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Additional Information:	
Independent Auditor's Report on Additional Information	8
Schedule of Changes in Replacement Fund Balances	9

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 December 31, 2008, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended. 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 December 31, 2008, 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.

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
March 25, 2009

DEVONWOOD COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
December 31, 2008

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 3,814	\$ 8,361	\$12,175
Investment	-	18,119	18,119
Assessments receivable, net of allowance for doubtful accounts of \$2,062	14,556	-	14,556
Due from Operating Fund	-	45,438	45,438
Deposits	368	-	368
	<u>\$ 18,738</u>	<u>\$71,918</u>	<u>\$90,656</u>
LIABILITIES AND FUND BALANCES			
Due to Replacement Fund	\$ 45,438	\$ -	\$45,438
Prepaid assessments	1,942	-	1,942
TOTAL LIABILITIES	<u>47,380</u>	<u>-</u>	<u>47,380</u>
FUND BALANCES (DEFICIT)	<u>(28,642)</u>	<u>71,918</u>	<u>43,276</u>
	<u>\$ 18,738</u>	<u>\$71,918</u>	<u>\$90,656</u>

See accompanying notes to financial statements

DEVONWOOD COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
Year Ended December 31, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Assessments	\$ 75,518	\$ 1,500	\$ 77,018
Interest income	-	400	400
Other	<u>2,770</u>	<u>-</u>	<u>2,770</u>
	<u>78,288</u>	<u>1,900</u>	<u>80,188</u>
EXPENSES			
Grounds maintenance	36,627	-	36,627
Pool/clubhouse	9,522	-	9,522
Postage and printing	1,537	-	1,537
Professional fees	6,033	-	6,033
Licenses, fees, and taxes	261	-	261
Insurance	2,932	-	2,932
Management fees	9,696	-	9,696
Community events	1,420	-	1,420
Security service	3,688	-	3,688
Miscellaneous	193	-	193
Major repairs and replacements	<u>-</u>	<u>40</u>	<u>40</u>
	<u>71,909</u>	<u>40</u>	<u>71,949</u>
EXCESS OF REVENUES OVER EXPENSES	6,379	1,860	8,239
FUND BALANCES - (DEFICIT) - BEGINNING	(33,413)	68,450	35,037
Transfer between funds	<u>(1,608)</u>	<u>1,608</u>	<u>-</u>
FUND BALANCES - (DEFICIT) - ENDING	<u>\$ (28,642)</u>	<u>\$ 71,918</u>	<u>\$ 43,276</u>

See accompanying notes to financial statements

DEVONWOOD COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments	\$ 71,462	\$ 1,500	\$ 72,962
Interest received	-	400	400
Other income	2,770	-	2,770
Operating expenses paid	(71,909)	-	(71,909)
Replacement expenses paid	<u>-</u>	<u>(40)</u>	<u>(40)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,323</u>	<u>1,860</u>	<u>4,183</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(383)	(383)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfers	<u>(1,608)</u>	<u>1,608</u>	<u>-</u>
NET INCREASE IN CASH	715	3,085	3,800
CASH - BEGINNING OF PERIOD	<u>3,099</u>	<u>5,276</u>	<u>8,375</u>
CASH - END OF PERIOD	<u>\$ 3,814</u>	<u>\$ 8,361</u>	<u>\$ 12,175</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 6,379	\$ 1,860	\$ 8,239
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable (net)	(4,689)	-	(4,689)
Increase (decrease) in:			
Prepaid assessments	<u>633</u>	<u>-</u>	<u>633</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,323</u>	<u>\$ 1,860</u>	<u>\$ 4,183</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 Property First, 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 December 31, 2008, the Association had assessments receivable of \$14,556, 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 \$122.64 during the year ended December 31, 2008. \$2.39 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.

Investment

The Association invests in a certificate of deposit that is valued at cost plus accrued interest, which approximates market. The investment matures in 2009.

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, 2008. 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 2008.

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Florida Statutes allow homeowners' associations to budget reserve accounts for capital expenditures and deferred maintenance for which the association is responsible. An association shall be deemed to have provided for reserve accounts when reserve accounts have been initially established by the developer or when the membership of the association affirmatively elects to provide for reserves. Once an association provides for reserve accounts in the budget, the association shall thereafter determine, maintain, and waive reserves in compliance with the Florida Statutes. Accumulated funds, which aggregate \$26,480 at December 31, 2008, are held in separate bank accounts and are not generally available for operating purposes.

DEVONWOOD COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Board has not conducted a study to determine remaining useful life of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Board has also not developed a plan to fund those needs.

When replacement funds are needed to meet future needs for major repairs and replacements, the Board has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

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 December 31, 2008, the Operating Fund owed the Replacement Fund \$45,438. 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 December 31, 2008, 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
March 25, 2009

DEVONWOOD COMMUNITY ASSOCIATION, INC.
 SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES
 Year ended December 31, 2008

<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	\$ 37,104	\$ -	\$ -	\$ -	\$ 37,104
Sign & walls	(19,763)	-	-	-	(19,763)
Pool resurf. & deck	48,638	996	-	-	49,634
Cabana	9,615	504	-	-	10,119
Fence	(22,144)	-	-	-	(22,144)
Insurance deductible	15,000	-	-	-	15,000
Other	-	-	-	1,608	1,608
Interest	-	400	40	-	360
	<u>\$ 68,450</u>	<u>\$ 1,900</u>	<u>\$ 40</u>	<u>\$ 1,608</u>	<u>\$ 71,918</u>