

REEVES HOUSE OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2008

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

REEVES HOUSE OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2008

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JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Reeves House Owners Association, Inc.

I have audited the accompanying balance sheet of Reeves House Owners Association, Inc. as of 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 Reeves House Owners 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.

Joseph V. Marullo, Sr., CPA LLC

Orlando, Florida
April 8, 2009

REEVES HOUSE OWNERS ASSOCIATION, INC.
BALANCE SHEET
December 31, 2008

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 83,635	\$739,697	\$823,332
Investments	-	110,260	110,260
Assessments receivable	6,323	-	6,323
Due from Operating Fund	-	31,453	31,453
	<u>\$ 89,958</u>	<u>\$881,410</u>	<u>\$971,368</u>
LIABILITIES AND FUND BALANCES			
Due to Replacement Fund	\$ 31,453	\$ -	\$ 31,453
Income taxes payable	2,286	-	2,286
Insurance proceeds-Note E	-	420,718	420,718
Prepaid assessments	5,484	-	5,484
TOTAL LIABILITIES	39,233	420,718	459,941
FUND BALANCES	<u>50,735</u>	<u>460,692</u>	<u>511,427</u>
	<u>\$ 89,958</u>	<u>\$881,410</u>	<u>\$971,368</u>

See accompanying notes to financial statements

REEVES HOUSE OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
Year Ended December 31, 2008

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	\$146,616	\$ 18,984	\$ 165,600
Rental income	13,920	-	13,920
Interest income	546	20,119	20,665
Other	<u>3,527</u>	<u>379,282</u>	<u>382,809</u>
	<u>164,609</u>	<u>418,385</u>	<u>582,994</u>
EXPENSES			
Building maintenance	71,644	-	71,644
Grounds maintenance	9,713	-	9,713
Pool and recreation	23,236	-	23,236
Professional fees	4,465	-	4,465
Licenses, fees, and taxes	681	-	681
Insurance	19,519	-	19,519
Management fees	6,765	-	6,765
Postage and printing	408	-	408
Security service	49	-	49
Miscellaneous	6,470	-	6,470
Major repairs and replacements	<u>-</u>	<u>379,282</u>	<u>379,282</u>
	<u>142,950</u>	<u>379,282</u>	<u>522,232</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE PROVISION FOR INCOME TAXES	21,659	39,103	60,762
PROVISION FOR INCOME TAXES	<u>2,286</u>	<u>-</u>	<u>2,286</u>
EXCESS OF REVENUES OVER EXPENSES	19,373	39,103	58,476
FUND BALANCES - BEGINNING	39,839	413,112	452,951
Transfer between funds	<u>(8,477)</u>	<u>8,477</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 50,735</u>	<u>\$460,692</u>	<u>\$ 511,427</u>

See accompanying notes to financial statements

REEVES HOUSE OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments	\$ 135,891	\$ 18,984	\$ 154,875
Rental income	13,920	-	13,920
Interest received	546	20,119	20,665
Other	3,527	800,000	803,527
Operating expenses paid	(142,950)	-	(142,950)
Taxes paid	(1,887)	-	(1,887)
Replacement expenses paid	-	(379,282)	(379,282)
Net change in fund balances	<u>551</u>	<u>(551)</u>	<u>-</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,598</u>	<u>459,270</u>	<u>468,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(110,260)	(110,260)
Sale of investments	<u>-</u>	<u>127,552</u>	<u>128,052</u>
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>-</u>	<u>17,292</u>	<u>17,292</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfers	<u>(8,477)</u>	<u>8,477</u>	<u>-</u>
NET INCREASE IN CASH	1,121	485,039	486,160
CASH - BEGINNING OF YEAR	<u>82,514</u>	<u>254,658</u>	<u>337,172</u>
CASH - END OF YEAR	<u>\$ 83,635</u>	<u>\$ 739,697</u>	<u>\$ 823,332</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 19,373	\$ 39,103	\$ 58,476
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(4,003)	-	(4,003)
Due from Operating Fund	-	(551)	(551)
Increase (decrease) in:			
Due to Replacement Fund	551	-	551
Income taxes payable	399	-	399
Insurance proceeds	-	420,718	420,718
Prepaid assessments	<u>(6,722)</u>	<u>-</u>	<u>(6,722)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,598</u>	<u>\$ 459,270</u>	<u>\$ 468,868</u>

See accompanying notes to financial statements

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION

Reeves House Owners 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 Reeves House located in Orlando, Florida. Reeves House consists of 40 residential units and 1 amenity. 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 financial resources are classified 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

Ownership of the common assets is vested directly in the unit owners and not in the Association. Therefore, these assets are not recognized in the accompanying balance sheet.

Member Assessments

Association members are subject to monthly 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 \$6,323, all of which are considered collectible.

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

The Association invests in certificates of deposit that are valued at cost plus accrued interest, which approximates market. The investments mature in 2009.

Statement of Cash Flows

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

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 estimates.

Allocation of Revenues and Expenses to Unit Owners

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

NOTE C - INCOME TAXES

Condominium associations may elect to be taxed as regular corporations or as homeowner's associations. The Association elected to be taxed as a regular corporation for the year ended December 31, 2008. Under that election, the Association is taxed on nonmembership income, such as interest earnings, at regular federal and state corporate tax rates. Membership income is exempt from taxation if certain elections are made. Income taxes due for the year ended December 31, 2008, amounted to \$2,286.

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require funds to be accumulated for future major repairs and replacements. Reserves required by Florida Statutes for capital expenditures and deferred maintenance include roofing, painting, paving, and any other item which the deferred maintenance expense or replacement cost exceeds \$10,000. Accumulated funds, which aggregate \$460,692 at December 31, 2008, are held in separate bank accounts and are not generally available for operating purposes.

During October 2008, the Board and Property Manager conducted an informal reserve study to estimate the remaining useful lives and the replacement costs 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 considered that the reserve components are fully funded and no provision for reserve funding is necessary at this time.

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS - Continued

Actual expenditures, however, may vary from the estimated amounts and these variations may be material.

Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. 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. The effect on future assessments has not been determined at this time.

NOTE E - ALLSTATE INSURANCE SETTLEMENT

The Association received a settlement from Allstate Insurance Company on June 24, 2008 in the amount of \$1,370,000. The net proceeds received after attorney fees and other legal costs were \$800,000. These proceeds were deposited in the Reserve Fund and were used to make necessary repairs to Association property during 2008. Repairs completed in 2008 were approximately \$379,282 out of the \$800,000 proceeds received. The balance of the proceeds of \$420,718 are reflected on the Balance Sheet as a liability and will be recorded as income when the expenditures are incurred. Repairs are ongoing and the Management anticipates that the balance of the insurance proceeds will be used in the subsequent year. Accumulated funds, which aggregate \$849,957 at December 31, 2008, are held in separate bank accounts and are not generally available for operating purposes.

NOTE F - SUPPLEMENTAL CASH FLOW INFORMATION

Income taxes paid	<u>\$4,173</u>
Interest paid	<u>\$0</u>

ADDITIONAL INFORMATION

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Reeves House Owners Association, Inc.

My report on my audit of the financial statements of Reeves House Owners 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
April 8, 2009

REEVES HOUSE OWNERS 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>
Roof	\$ (271)	\$ -	\$ -	\$150,271	\$ 150,000
Paint	12,636	-	-	92,364	105,000
Roads	12,777	-	-	12,223	25,000
Common facilities	202,775	398,266	379,282	(93,893)	127,866
Furniture	3,912	-	-	(3,912)	-
Pool	2,257	-	-	(2,257)	-
General					
Hurricane	146,319		-	(146,319)	-
Interest	<u>32,707</u>	<u>20,119</u>	<u>-</u>	<u>-</u>	<u>52,826</u>
	<u>\$413,112</u>	<u>\$418,385</u>	<u>\$379,282</u>	<u>\$ 8,477</u>	<u>\$ 460,692</u>

REQUIRED SUPPLEMENTARY INFORMATION

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON REQUIRED SUPPLEMENTARY INFORMATION

Board of Directors
Reeves House Owners Association, Inc.

The supplementary information on future major repairs and replacements on page 11 is not a required part of the basic financial statements of Reeves House Owners Association, Inc., but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Joseph V. Marullo, Sr., CPA LLC

Orlando, Florida
April 8, 2009

REEVES HOUSE OWNERS ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 December 31, 2008

During October 2008, the Board and Property Manager conducted an informal reserve study to estimate the remaining useful lives and the replacement costs of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Replacement costs were based on estimated costs to repair or 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 December 31, 2008</u>
Roof	20	\$ 150,000	\$150,000
Paint/exterior	7	105,000	105,000
Roads	-	25,000	25,000
Common facilities	-	-	127,866
Reserves-interest	-	-	<u>52,826</u>
TOTALS		<u>\$ 280,000</u>	<u>\$460,692</u>