

REEVES HOUSE OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2007

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

REEVES HOUSE OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2007

REEVES HOUSE OWNERS ASSOCIATION, INC.

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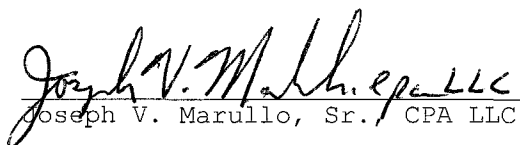
INDEPENDENT AUDITOR'S REPORT

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, 2007, 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, 2007, 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
August 31, 2008

REEVES HOUSE OWNERS ASSOCIATION, INC.
BALANCE SHEET
December 31, 2007

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 82,514	\$254,658	\$337,172
Investments	-	127,552	127,552
Assessments receivable	2,320	-	2,320
Due from operating fund	-	30,902	30,902
	<u>\$ 84,834</u>	<u>\$413,112</u>	<u>\$497,946</u>
LIABILITIES AND FUND BALANCES			
Due to replacement fund	\$ 30,902	\$ -	\$ 30,902
Income taxes payable	1,887	-	1,887
Prepaid assessments	12,206	-	12,206
TOTAL LIABILITIES	44,995	-	44,995
FUND BALANCES	39,839	413,112	452,951
	<u>\$ 84,834</u>	<u>\$413,112</u>	<u>\$497,946</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, 2007

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	\$135,240	\$ 30,360	\$165,600
Rental income	20,080	-	20,080
Interest income	2,614	24,342	26,956
Other	<u>1,158</u>	<u>-</u>	<u>1,158</u>
	<u>159,092</u>	<u>54,702</u>	<u>213,794</u>
EXPENSES			
Building maintenance	77,868	-	77,868
Grounds maintenance	16,955	-	16,955
Pool and recreation	22,950	-	22,950
Professional fees	6,595	-	6,595
Licenses, fees, and taxes	772	-	772
Insurance	40,692	-	40,692
Management fees	7,120	-	7,120
Postage and printing	431	-	431
Office expenses	2,642	-	2,642
Miscellaneous	175	-	175
Major repairs and replacements	<u>-</u>	<u>213,000</u>	<u>213,000</u>
	<u>176,200</u>	<u>213,000</u>	<u>389,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE PROVISION FOR INCOME TAXES	(17,108)	(158,298)	(175,406)
PROVISION FOR INCOME TAXES	<u>4,023</u>	<u>-</u>	<u>4,023</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(21,131)	(158,298)	(179,429)
FUND BALANCES - BEGINNING	<u>60,970</u>	<u>571,410</u>	<u>632,380</u>
FUND BALANCES - ENDING	<u>\$ 39,839</u>	<u>\$413,112</u>	<u>\$452,951</u>

See accompanying notes to financial statements

REEVES HOUSE OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2007

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments	\$ 147,287	\$ 22,770	\$ 170,057
Rental income	20,080	-	20,080
Interest received	2,614	26,039	28,653
Other	1,158	-	1,158
Operating expenses paid	(166,634)	-	(166,634)
Taxes paid	(2,487)	-	(2,487)
Replacement expenses paid	-	(213,000)	(213,000)
Net change in fund balances	<u>23,311</u>	<u>(23,311)</u>	<u>-</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
	<u>25,329</u>	<u>(187,502)</u>	<u>(162,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(6,700)	(6,700)
Sale of investments	<u>-</u>	<u>69,991</u>	<u>69,991</u>
NET CASH PROVIDED FROM INVESTING ACTIVITIES			
	<u>-</u>	<u>63,291</u>	<u>63,291</u>
NET INCREASE (DECREASE) IN CASH			
	25,329	(124,211)	(98,882)
CASH - BEGINNING OF YEAR			
	<u>57,185</u>	<u>378,869</u>	<u>436,054</u>
CASH - END OF YEAR			
	<u>\$ 82,514</u>	<u>\$ 254,658</u>	<u>\$ 337,172</u>
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO CASH PROVIDED BY OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses			
	\$ (21,131)	\$ (158,298)	\$ (179,429)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	732	-	732
Accrued interest receivable	-	1,697	1,697
Due from operating fund	-	(30,901)	(30,901)
Prepaid income taxes	56	-	56
Prepaid expenses	9,566	-	9,566
Increase (decrease) in:			
Prepaid assessments	3,725	-	3,725
Income taxes payable	1,480	-	1,480
Due to replacement fund	<u>30,901</u>	<u>-</u>	<u>30,901</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
	<u>\$ 25,329</u>	<u>\$ (187,502)</u>	<u>\$ (162,173)</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, 2007, the Association had assessments receivable of \$2,320, 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 2008.

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 - CONCENTRATION OF CREDIT RISK

The Association maintains its cash balances at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. Total cash held by the Association at December 31, 2007, includes approximately \$233,513 in monies that are not covered by insurance provided by the federal government.

NOTE D - 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, 2007. 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, 2007, amounted to \$1,887.

NOTE E - 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 \$382,210 at December 31, 2007, are held in separate bank accounts and are not generally available for operating purposes.

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS - Continued

On December 21, 2004, the Board had a reserve study completed by a professional consulting firm 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 is funding for some of the major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

When replacement 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 F - SUPPLEMENTAL CASH FLOW INFORMATION

Income taxes paid	<u>\$4,430</u>
Interest paid	<u>0</u>

ADDITIONAL INFORMATION

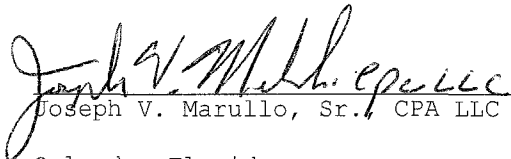
JOSEPH V. MARULLO, SR. LLC

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, 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
August 31, 2008

REEVES HOUSE OWNERS ASSOCIATION, INC.
 SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES
 Year ended December 31, 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>
Roof	\$ 7,529	\$ -	\$ 7,800	\$ -	\$ (271)
Paint	12,636	-	-	-	12,636
Roads	12,777	-	-	-	12,777
Common facilities	177,615	30,360	5,200	-	202,775
Furniture	3,912	-	-	-	3,912
Pool	2,257	-	-	-	2,257
Hurricane	346,319	-	200,000	-	146,319
Interest	<u>8,365</u>	<u>24,342</u>	<u>-</u>	<u>-</u>	<u>32,707</u>
	<u>\$571,410</u>	<u>\$54,702</u>	<u>\$213,000</u>	<u>\$ -</u>	<u>\$ 413,112</u>

REQUIRED SUPPLEMENTARY INFORMATION

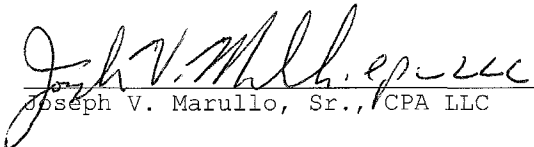
JOSEPH V. MARULLO, SR. LLC

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
August 31, 2008

REEVES HOUSE OWNERS ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 December 31, 2007

On December 21, 2004, the Board had a reserve study completed by a professional consulting firm 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, 2007</u>
Roof	5-18	\$ 174,600	\$ (271)
Paint/exterior	1-18	258,203	12,636
Roads	-	9,675	12,777
Common facilities	1-18	157,959	202,775
Furniture	1-7	23,500	3,912
Elevators	7	200,000	-
Fire alarm system	7	106,805	-
Security system	2-8	70,000	-
Pool	-	-	2,257
Hurricane	-	-	146,319
Reserves-interest	-	-	<u>32,707</u>
TOTALS		<u>\$1,000,742</u>	<u>\$413,112</u>