

SUNBROOK CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

Year Ended December 31, 2009

JOSEPH V. MARULLO, SR.

Certified Public Accountant

SUNBROOK CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

Year Ended December 31, 2009

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JOSEPH V. MARULLO, SR.

Certified Public Accountant

Board of Directors
Sunbrook Condominium Association, Inc.

I have compiled the accompanying balance sheet of Sunbrook Condominium Association, Inc. as of December 31, 2009, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

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 Sunbrook Condominium Association, Inc. has not presented this supplementary information.



Joseph V. Marullo, Sr., CPA LLC

Orlando, Florida
February 27, 2010

SUNBROOK CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
For the Year Ended December 31, 2009

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 4,517	\$ 36,117	\$ 40,634
Investments	30,680	54,384	85,064
Assessments receivable, net of allowance for doubtful accounts of \$3,931	9,029	-	9,029
Prepaid income taxes	675	-	675
Due from Operating Fund	-	32,495	32,495
	\$ 44,901	\$ 122,996	\$ 167,897
LIABILITIES AND FUND BALANCES			
SBA loan payable	\$ 290,726	\$ -	\$ 290,726
Prepaid assessments	8,402	-	8,402
Due to Replacement Fund	32,495	-	32,495
	331,623	-	331,623
	(286,722)	122,996	(163,726)
	\$ 44,901	\$ 122,996	\$ 167,897

The accompanying notes are an integral part of this statement.

SUNBROOK CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Assessments	\$ 83,568	\$ 25,872	\$ 109,440
Interest income	567	546	1,113
	<u>\$ 84,135</u>	<u>\$ 26,418</u>	<u>\$ 110,553</u>
EXPENSES			
Building maintenance	\$ 32,195	\$ -	\$ 32,195
Grounds maintenance	21,535	-	21,535
Pool/clubhouse	4,400	-	4,400
Professional fees	800	-	800
Insurance	30,931	-	30,931
Management fees	3,600	-	3,600
Postage and printing	704	-	704
Loan interest	8,725	-	8,725
Miscellaneous	12,149	-	12,149
Major repairs and replacements	-	2,439	2,439
	<u>115,039</u>	<u>2,439</u>	<u>117,478</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(30,904)	23,979	(6,925)
FUND BALANCES - (DEFICIT) - BEGINNING	<u>(255,818)</u>	<u>99,017</u>	<u>(156,801)</u>
FUND BALANCES - (DEFICIT) - ENDING	<u>\$ (286,722)</u>	<u>\$ 122,996</u>	<u>\$ (163,726)</u>

The accompanying notes are an integral part of this statement.

SUNBROOK CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments	\$ 104,356	\$ 8,104	\$ 112,460
Interest received	567	546	1,113
Taxes paid	(948)	-	(948)
Operating expenses paid	(115,714)	-	(115,714)
Replacement expenses paid	-	(2,439)	(2,439)
Net change in fund balances	20,271	(20,271)	-
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,532	(14,060)	(5,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investment	-	15,000	15,000
Purchase of investment	(453)	-	(453)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(453)	15,000	14,547
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan payable	(7,365)	-	(7,365)
NET INCREASE IN CASH	714	940	1,654
CASH - BEGINNING OF YEAR	3,803	35,177	38,980
CASH - END OF YEAR	\$ 4,517	\$ 36,117	\$ 40,634
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO CASH PROVIDED BY OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (30,904)	\$ 23,979	\$ (6,925)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(518)	-	(518)
Due from Replacement Fund	5,544	-	5,544
Due from Operating Fund	-	(32,495)	(32,495)
Prepaid income taxes	(675)	-	(675)
Increase (decrease) in:			
Due to Replacement Fund	32,495	-	32,495
Income taxes payable	(948)	-	(948)
Due to Operating Fund	-	(5,544)	(5,544)
Prepaid assessments	3,538	-	3,538
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 8,532	\$ (14,060)	\$ (5,528)

The accompanying notes are an integral part of this statement.

SUNBROOK CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION

Sunbrook Condominium Association, Inc. 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 Sunbrook Condominium located in Orlando, Florida. Sunbrook Condominium consists of 48 residential units. The Association is managed by the Board of Directors (the Board).

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

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 27, 2010, the date that the financial statements were available to be issued.

NOTE C - 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 and common areas acquired from the developer and related improvements to such property are not recognized in the Association's financial statements. 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.

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.

SUNBROOK CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2009, the Association had assessments receivable of \$9,029, net of allowance for doubtful accounts of \$3,931.

Monthly assessments to members were \$190 during the year ended December 31, 2009. \$44.92 per unit per month during the year was designated for the replacement fund.

Investment

The Association invests in a certificate of deposit that is valued at cost plus accrued interest, which approximates market. The investment is a time deposit which automatically renews every 15 days.

Statement of Cash Flows

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

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 homeowner's association for the year ended December 31, 2009. 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 income taxes due for the year ended December 31, 2009. Under Financial Accounting Standards Board (FASB) Income Taxes (Topic 740) management has determined that the Association has no uncertain tax positions that qualify for disclosure in the financial statements.

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.

SUNBROOK CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS - Continued

Accumulated funds, which aggregate \$90,501 at December 31, 2009, are held in separate bank accounts and are not generally available for operating purposes.

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.

The following table presents significant information about the components of common property:

COMMON AREA COMPONENT	Beginning Fund Balance	Additions to Fund	Charges to Fund	Components of Ending Fund Balance
Roofing	\$ 32,213	\$ 13,596	\$ -	\$ 45,809
Tennis	2,908	-	-	2,908
General	6,112	-	-	6,112
Paint	42,935	9,240	-	52,175
Roads	102	396	-	498
Common facilities	3,626	2,244	2,439	3,431
Pool	3,677	396	-	4,073
Beauty	300	-	-	300
Interest	7,144	546	-	7,690
	<u>\$ 99,017</u>	<u>\$ 26,418</u>	<u>\$ 2,439</u>	<u>\$ 122,996</u>

NOTE F - SBA LOAN PAYABLE

The loan payable consists of an obligation to the U.S. Small Business Administration. The original loan amount was \$317,800. Interest accrues at 2.90% annually. Loan payments of \$1,385.00, which include principal and interest will be payable for 30 years from the date of the promissory note. The loan proceeds were used to replace property damaged or destroyed occurring in the month of August 2004. The collateral consists of special assessments and any other assessments levied by the Association.

SUNBROOK CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F - SBA LOAN PAYABLE - Continued

Future maturities of loan payable are scheduled as follows:

2010	\$ 7,484
2011	7,704
2012	7,930
2013	8,163
2014	8,404

NOTE G - SUPPLEMENTAL CASH FLOW INFORMATION

Income taxes paid	<u>\$0</u>
Interest paid	<u>\$8,725</u>