

TIVOLI WOODS SERVICE ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2008

**JOSEPH V. MARULLO, SR. LLC**

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Certified Public Accountant

TIVOLI WOODS SERVICE ASSOCIATION, INC.

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For Year Ended December 31, 2008

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# JOSEPH V. MARULLO, SR. LLC

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**Certified Public Accountant**

Board of Directors  
Tivoli Woods Service Association, Inc.

I have compiled the accompanying balance sheet of Tivoli Woods Service 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, 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 Tivoli Woods Service Association, Inc. has not presented this supplementary information.

  
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Joseph V. Marullo, Sr., CPA LLC

Orlando, Florida  
February 23, 2009

TIVOLI WOODS SERVICE ASSOCIATION, INC.  
BALANCE SHEET  
December 31, 2008

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
Cash	\$16,605	\$ -	\$ 16,605
Prepaid expenses	1,258	-	1,258
	\$17,863	\$ -	\$ 17,863
 <b>LIABILITIES AND FUND BALANCES</b>			
Insurance proceeds	\$ 3,135	\$ -	\$ 3,135
TOTAL LIABILITIES	3,135	-	3,135
FUND BALANCES	14,728	-	14,728
	\$17,863	\$ -	\$ 17,863

See accompanying notes and accountant's report

TIVOLI WOODS SERVICE 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>
<b>REVENUES</b>			
Assessments	<u>\$ 19,412</u>	<u>\$ -</u>	<u>\$ 19,412</u>
<b>EXPENSES</b>			
Licenses, fees, and taxes	61	-	61
Postage and printing	336	-	336
Professional fees	1,622	-	1,622
Insurance	2,306	-	2,306
Management fee	4,200	-	4,200
Security	13,500	-	13,500
Miscellaneous	1,181	-	1,181
Major repairs and replacements	<u>-</u>	<u>-</u>	<u>-</u>
	<u>23,206</u>	<u>-</u>	<u>23,206</u>
(DEFICIENCY) OF REVENUES OVER EXPENSES	(3,794)	-	(3,794)
FUND BALANCES - BEGINNING	<u>18,522</u>	<u>-</u>	<u>18,522</u>
FUND BALANCES - ENDING	<u>\$ 14,728</u>	<u>\$ -</u>	<u>\$ 14,728</u>

See accompanying notes and accountant's report

TIVOLI WOODS SERVICE 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	\$ 26,630	\$ -	\$ 26,630
Operating expenses paid	(30,634)	-	(30,634)
Replacement expenses paid	<u>-</u>	<u>-</u>	<u>-</u>
CASH (USED) BY OPERATING ACTIVITIES	<u>(4,004)</u>	<u>-</u>	<u>(4,004)</u>
NET (DECREASE) IN CASH	(4,004)	-	(4,004)
CASH - BEGINNING OF YEAR	<u>20,609</u>	<u>-</u>	<u>20,609</u>
CASH - END OF YEAR	<u>\$ 16,605</u>	<u>\$ -</u>	<u>\$ 16,605</u>
RECONCILIATION OF (DEFICIENCY) OF REVENUES OVER EXPENSES TO CASH PROVIDED BY OPERATING ACTIVITIES			
(Deficiency) of revenues over expenses	\$ (3,794)	\$ -	\$ (3,794)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Prepaid expenses	<u>(210)</u>	<u>-</u>	<u>(210)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (4,004)</u>	<u>\$ -</u>	<u>\$ (4,004)</u>

See accompanying notes and accountant's report

TIVOLI WOODS SERVICE ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION

Tivoli Woods Service Association, Inc. (the Association), is incorporated under the laws of the State of Florida as a not-for-profit corporation, for the purpose of maintaining, managing, operating and insuring certain property owned by the Service Organization and maintaining, managing and operating certain easements, swales, and buffer areas throughout the Tivoli Woods Community located in Orlando, Florida. Tivoli Woods consists of 620 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 made by the Association to such property are not capitalized in the financial statements.

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.

Member Assessments

Association members are subject to 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.

TIVOLI WOODS SERVICE ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Any excess assessments at year-end are retained by the Association for use in future years. At December 31, 2008, the Association had no assessments receivable.

Statement of Cash Flows

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

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.

There were no accumulated funds at December 31, 2008.

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 BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS. OWNERS MAY ELECT TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO THE PROVISIONS OF SECTION 720.303(6), FLORIDA STATUTES, UPON THE APPROVAL OF NOT LESS THAN A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION.**