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THE ISLAND AT ABACOA HOMEOWNERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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To the Board of Directors
The Island at Abacoa Homeowners' Association, Inc.
C/O Bristol Management Services, Inc.
1930 Commerce Lane, Suite #1
Jupiter, FL 33458

Accountants' Review Report

We have reviewed the accompanying balance sheet of The Island at Abacoa Homeowners' Association, Inc. as of December 31, 2006, and the related statements of revenues, expenditures and 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. All information included in these financial statements is the representation of the management of The Island at Abacoa Homeowners' Association, Inc.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles in the United States.

The supplementary information on future major repairs and replacements on page 9 is not a required part of the basic financial statements but is supplementary information from information that is required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



René & Associates, P.A.
Certified Public Accountants
September 13, 2007

The Island at Abacoa Homeowner's Association, Inc.
BALANCE SHEETS
December 31, 2006

ASSETS

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$87,460	\$336,568	\$424,028
Assessments Receivable	7,497		\$7,497
Prepaid Insurance	8,612		8,612
Other Prepaid Expenses	9,761		9,761
Utility Deposits	2,579		2,579
Inter-fund Receivable	10,060		10,060
Total Assets	125,969	336,568	462,537

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	6,219		6,219
Prepaid Assessments	37,537		37,537
Damage Deposits	7,525		7,525
Inter-Fund Payable		10,060	10,060
Total Liabilities	51,281	10,060	61,342
FUND BALANCES	74,688	326,508	401,196
Total Liabilities and Fund Balances	\$ 125,969	\$ 336,568	\$ 462,537

See accompanying notes and accountants report

The Island at Abacoa Homeowner's Association, Inc.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ending December 31, 2006

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Maintenance Assessments	\$364,716	\$67,850	\$432,566
Special Assessment - Hurricane	39,600		39,600
Interest	3,088	12,783	15,871
Town House Roof Assessment	8,048		8,048
Application and Late Fees	2,650		2,650
Capital Contributions		1,666	1,666
Miscellaneous	1,320		1,320
Total Revenue	<u>419,422</u>	<u>82,299</u>	<u>501,721</u>
OPERATING EXPENSES			
Landscape Maintenance	79,990		79,990
Abacoa Property Owners Assembly	38,734		38,734
Irrigation	34,400		34,400
Cable TV	30,696		30,696
Electric	22,217		22,217
Mulch	15,894		15,894
Property Management	15,748		15,748
IQ Water	15,121		15,121
Fertilizer and Insecticide	14,091		14,091
Insurance	12,342		12,342
Janitorial	11,808		11,808
Hurricane Expenses	8,130		8,130
Capital Expenditures	6,132		6,132
Landscape Replacement	5,625		5,625
Accounting	5,617		5,617
Pressure Cleaning	5,600		5,600
Repairs and Maintenance	5,396		5,396
Backflow Testing	4,602		4,602
Townhouse Roof Repairs	8,048		8,048
Legal Fees	4,282		4,282
Pool Maintenance	4,082		4,082
Tree Trimming	4,068		4,068
Office & Meeting Expense	3,842		3,842
Accountants Review and Tax Preparation	2,250		2,250
Water and Sewer	1,785		1,785
Income Tax	1,687		1,687
Telephone	1,584		1,584
Clubhouse Pest Control	825		825
Sales and Lease Expense	650		650
Playground Equipment	630		630
License Fees and Taxes	161		161
Common Capital Reserves		27,374	27,374
Roads		15,975	15,975
Clubhouse Repairs		2,000	2,000
Painting		1,890	1,890
Total Expenses	<u>366,036</u>	<u>47,239</u>	<u>413,275</u>
Excess of Revenues over Expenses	53,386	35,060	88,445
Fund Balance - Beginning of Year	<u>21,302</u>	<u>291,448</u>	<u>312,750</u>
Fund Balance - End of Year	<u>74,688</u>	<u>326,508</u>	<u>401,196</u>

See accompanying notes and accountants report

The Island at Abacoa Homeowners' Association, Inc.
STATEMENTS OF CASHFLOWS
For the Year Ending December 31, 2006

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Member assessments collected	371,428	67,850	439,278
Special Assessment Hurricane	40,500		40,500
Town House Roof Assessment	7,657		7,657
Interest	3,088	12,783	15,871
Capital Assessments		1,666	1,666
Application and Late Fees	2,650		2,650
Miscellaneous	1,320		1,320
Cash paid for operating expenses	<u>(365,976)</u>	<u>(47,239)</u>	<u>(413,215)</u>
Cash provided by (used in) Operating Activities	60,666	35,060	95,726
CASH FLOWS FROM FINANCING ACTIVITIES			
Inter-fund borrowing	<u>(13,634)</u>	13,634	
Cash provided by (used in) financing activities	<u>(13,634)</u>	<u>13,634</u>	
Net increase in cash	47,032	48,694	95,726
Cash at beginning of year	<u>40,428</u>	<u>287,874</u>	<u>328,302</u>
Cash at end of year	<u><u>87,460</u></u>	<u><u>336,568</u></u>	<u><u>424,028</u></u>
Reconciliation of excess of revenues over expenses			
To net cash used in operating activities:			
Excess of Revenues over Expenses	53,386	35,060	88,445
Adjustments to reconcile excess of revenues			
over expenses to net cash provided by			
Operating Activities:			
Decrease in Assessments Receivable	3,215		3,215
Increase in Prepaid Income Tax	687		687
Increase in Prepaid Insurance	(2,274)		(2,274)
Increase in Prepaid Expenses	(45)		(45)
Decrease in Accounts Payable	(3,308)		(3,308)
Increase in Prepaid Assessments	4,006		4,006
Increase in Damage Deposits	5,000		5,000
Total adjustments	<u>7,281</u>		<u>7,281</u>
Net cash provided by operating activities	<u><u>60,666</u></u>	<u><u>35,060</u></u>	<u><u>95,726</u></u>

See accompanying notes and accountants report

THE ISLAND AT ABACOA HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE A – ORGANIZATION

The Island at Abacoa Homeowners' Association, Inc. was incorporated as a Florida, not-for-profit corporation on November 23, 1998. The purpose of the Association is to manage, maintain, and operate the common areas of the 176 units located in Jupiter, Florida.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Island at Abacoa Homeowners' Association, Inc. is presented to assist in understanding the financial statements. The financial statements and notes are representations of the management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been applied on a consistent basis.

Method of Accounting - The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operation and capital replacements.

The Operating Fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operation. Expenses of this fund are limited to those connected with the day-to-day operations.

The Replacement Fund is composed of all capital assessments paid by unit owners to fund future replacements, major repairs, and purchases of additional commonly owned assets. Expenses from this fund are restricted to those items for which assessments were levied.

Estimates – The preparation of financial statements to 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.

Property and Equipment – Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statement because those properties are owned by the individual unit owners in common and not by the Association. Expenditures made for furnishings, improvements, and equipment used for maintenance and operation of the common elements of the property are expensed in the year of purchase.

Member Assessments – Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments are retained by the Association for use in future years. Unearned maintenance assessments represent fees paid by the members in anticipation of the due date. These assessments will be recognized as revenue in future periods.

Income Taxes – Homeowners' Associations may be taxed as a regular corporation or elect to be taxed as Homeowners' Associations. Under this election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30% after a \$100 exemption. Exempt function income, which consists primarily of member assessments, is not taxable. The Association elected to be taxed as a Homeowner's Association for the period ended December 31, 2006. Income tax expense for the period was \$1,687.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

THE ISLAND AT ABACOA HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE C – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has established a replacement fund for capital expenditures. The activity in the fund for the period ended December 31, 2006 is as follows:

	<u>Balance</u> <u>12/31/05</u>	<u>Assessments</u>	<u>Interest</u>	<u>Expenses</u>	<u>Balance</u> <u>12/31/06</u>
COMMON RESERVES:					
Common Capital	\$ 27,440	\$ 1,666	\$ 71	\$ (27,374)	\$ 1,803
Road Resurfacing	48,423	14,158	1,899	(15,975)	48,505
Pool Maintenance	12,091	2,439	592	-	15,122
Clubhouse	14,437	2,690	616	(2,000)	15,743
TOWNHOUSE RESERVES:					
Painting – Townhouses	31,606	6,898	1,492	(1,890)	38,106
Pressure Cleaning – Townhouses	-	2,250	92	-	2,342
SINGLE FAMILY HOMES:					
Painting	<u>157,451</u>	<u>39,415</u>	<u>8021</u>	<u>-</u>	<u>204,887</u>
Total	<u>\$ 291,448</u>	<u>69,516</u>	<u>12,783</u>	<u>(47,239)</u>	<u>\$ 326,508</u>

The Board conducted a self-study of the Association's future needs and has incorporated those changes in its reserve study on page 9. The self-study to determine the adequacy of the funding of the replacement fund was derived from estimates by local contractors and the Boards estimated timing of the replacements. Accordingly, the funds may not be sufficient to meet all future replacement costs at the time needed. Therefore, when replacement funds in excess of the reserve funds are needed, the Association has the right to increase the reserve for capital expenditures, delay replacement until funds are available, borrow funds, or pass a special assessment.

NOTE D – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents. The Association maintains its Replacement Fund cash and cash equivalent balances in high quality short-term liquid money market accounts with a major financial institution. The carrying amount approximates market value. The Association has not experienced losses related to these holdings and believes it is not exposed to any significant credit risk. The Association believes the increased earnings realized exceeds the limited risk and additional cost associated with maintaining its bank balances at different banks at levels lower than the insured amounts.

NOTE E - SPECIAL ASSESSMENTS - HURRICANES

The Board of Directors approved a special assessment to recover hurricane related cost on March 20, 2006. The Assessment was for \$225 per unit, totaling \$39,600. The Association has incurred hurricane related expenses totaling \$94,941 as of the December 31, 2006 (\$76,679 in 2004, \$10,132 in 2005, and \$8,130 in 2006). Special Assessments related to the hurricanes totaled \$118,800 (\$79,200 was assessed in 2005 and \$39,600 in 2006).

Supplementary Information

THE ISLAND AT ABACOA HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

The Board conducted a self-assessment of the Association's major repair and replacement needs as well as estimated useful lives for each component as shown below. The self-study to determine the adequacy of the funding of the replacement fund was derived from estimates by local contractors and the Boards estimated timing of the replacements. Accordingly, the funds accumulated may not be sufficient to meet all future replacement costs at the time needed. Therefore, when replacement funds in excess of the reserve funds are needed, the Association has the right to increase the reserve for capital expenditures, delay replacement until funds are available, borrow funds, or pass a special assessment.

	Estimated Life	Estimated Cost	Reserve Balance 12/31/06
	<u> </u>	<u> </u>	<u> </u>
Painting – Single Family Homes	4 years	\$ 402,000	\$204,887
Painting - Townhouses	4 years	67,200	38,106
Pressure Cleaning – Townhouses	N/A	-	2,342
Road resurfacing	9 years	90,000	48,505
Pool	19 years	25,000	15,122
Clubhouse	4 years	20,000	15,743
Common Capital	N/A	<u>-</u>	<u>1,803</u>
Total		<u>\$ 604,200</u>	<u>\$ 326,508</u>

Please read the accompanying notes and accountant's review report