

**JOSEPH R.  
MICHALAK, LLC**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors  
Manderley Homeowners Association, Inc.

We have reviewed the accompanying balance sheet of Manderley Homeowners Association, Inc. as of December 31, 2004, and the related statements of revenue, expenditures and changes in fund balance 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 of the information included in these financial statements is the representation of the management of Manderley Homeowners Association, Inc.

A review consists principally of inquires of the Association's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, 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.

The Association has not presented the required supplementary information about future major repairs and replacement costs of common property, which the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.



Joseph R. Michalak  
Certified Public Accountant

Maitland, Florida  
April 15, 2005

**MANDERLEY HOMEOWNERS ASSOCIATION, INC.**

**BALANCE SHEET**

**December 31, 2004**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 13,030	\$ 22,610	\$ 35,640
Assessments receivable	2,240	-	2,240
Prepaid expenses	2,310	-	2,310
Due from operating fund	-	1,580	1,580
<b>TOTAL ASSETS</b>	<b>\$ 17,580</b>	<b>\$ 24,190</b>	<b>\$ 41,770</b>
 <b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 5,370	\$ -	\$ 5,370
Prepaid assessments	21,720	-	21,720
Due to replacement fund	1,580	-	1,580
<b>TOTAL LIABILITIES</b>	<b>28,670</b>	<b>-</b>	<b>28,670</b>
<b>FUND BALANCE &lt; DEFICIT &gt;</b>	<b>&lt; 11,090 &gt;</b>	<b>24,190</b>	<b>13,100</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 17,580</b>	<b>\$ 24,190</b>	<b>\$ 41,770</b>

See accompanying notes and accountants' review report.

**MANDERLEY HOMEOWNERS ASSOCIATION, INC.**

**STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE**

**Year Ended December 31, 2004**

	OPERATING FUND	REPLACEMENT FUND	TOTALS
<b>REVENUE:</b>			
Assessments	\$ 75,100	\$ 9,600	\$ 84,700
Interest	40	150	190
Other	60	-	60
	75,200	9,750	84,950
<b>EXPENDITURES:</b>			
Repair and maintenance	1,330	-	1,330
Utilities	12,480	-	12,480
Contract grounds maintenance	34,800	-	34,800
Irrigation repair	650	-	650
Other grounds maintenance	8,330	-	8,330
Lakes and waterways	1,930	-	1,930
Contract management fee	8,860	-	8,860
Office and other	4,860	-	4,860
Legal and accounting	1,500	-	1,500
Insurance	3,290	-	3,290
License and fees	120	-	120
	78,150	-	78,150
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	<b>&lt; 2,950 &gt;</b>	<b>9,750</b>	<b>6,800</b>
<b>FUND BALANCE – Beginning of year</b>	<b>&lt; 8,140 &gt;</b>	<b>14,440</b>	<b>6,300</b>
<b>FUND BALANCE – End of year</b>	<b>\$ &lt; 11,090 &gt;</b>	<b>\$ 24,190</b>	<b>\$ 13,100</b>

See accompanying notes and accountants' review report.

**MANDERLEY HOMEOWNERS ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2004**

	OPERATING FUND	REPLACEMENT FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Revenue in excess of expenditures	\$ < 2,950 >	\$ 9,750
Adjustment to reconcile excess of revenue over expenditures to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	< 2,040 >	-
Prepaid expenses	10	-
Due from operating fund	-	7,420
Increase (decrease) in:		
Accounts payable and accrued expenses	4,200	-
Prepaid assessments	3,390	-
Due to replacement fund	< 7,420 >	-
<b>NET CASH PROVIDED (USED) BY OPERATIONS</b>	<b>&lt; 4,810 &gt;</b>	<b>17,170</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>17,840</b>	<b>5,440</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 13,030</b>	<b>\$ 22,610</b>

See accompanying notes and accountants' review report.

**MANDERLEY HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Manderley Homeowners Association, Inc. is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of residential units located in Seminole County, Florida.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenditures.

The operating fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures from this fund are limited to those connected with daily operations.

The replacement fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenditures from this fund are restricted to those items for which assessments were specifically collected.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Real and Common Area Property

Real and common area property owned by the Association is not recorded in the Association's financial statements as it was acquired in a nonmonetary transaction from the developer and the fair value of the assets cannot be reasonably determined. As a result, improvements made to the real property and common areas are not capitalized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

MANDERLEY HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The Association is funding for major repairs and replacements based on estimated current replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association 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:

COMPONENT	BALANCE 1/1/2004	FUNDING DURING YEAR	INTEREST INCOME	EXPENSES DURING YEAR	BALANCE 12/31/2004
Capital improvements	<u>\$ 14,440</u>	<u>\$ 9,600</u>	<u>\$ 150</u>	<u>\$ -0-</u>	<u>\$ 24,190</u>

NOTE 3: MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenditures, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments which have been deemed to be uncollectible as of the report date have been charged to bad debts.

NOTE 4: INCOME TAXES

Homeowners' associations may elect to be taxed as regular corporations or as homeowners' associations. With either election the association is generally taxed only on its non-membership income, such as interest earnings.