

**MANDERLEY HOMEOWNERS  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

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

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Manderley Homeowners Association, Inc.

We have audited the accompanying balance sheet of Manderley Homeowners Association, Inc. as of December 31, 2005, and the related statements of revenue, expenditures, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manderley Homeowners Association, Inc. as of December 31, 2005, 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.

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  
May 30, 2006

MANDERLEY HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2005

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 30,670	\$ 11,590	\$ 42,260
Assessments receivable	980	-	980
Prepaid expenses	2,660	-	2,660
	<u>34,310</u>	<u>11,590</u>	<u>45,900</u>
TOTAL ASSETS	<u>\$ 34,310</u>	<u>\$ 11,590</u>	<u>\$ 45,900</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 8,820	\$ -	\$ 8,820
Prepaid assessments	31,980	-	31,980
	<u>40,800</u>	<u>-</u>	<u>40,800</u>
TOTAL LIABILITIES	<u>40,800</u>	<u>-</u>	<u>40,800</u>
FUND BALANCE < DEFICIT >:	<u>&lt; 6,490 &gt;</u>	<u>11,590</u>	<u>5,100</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 34,310</u>	<u>\$ 11,590</u>	<u>\$ 45,900</u>

The accompanying notes are an integral part of the financial statements.

MANDERLEY HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended December 31, 2005

	OPERATING FUND	REPLACEMENT FUND	TOTALS
REVENUE:			
Assessments	\$ 78,400	\$ 6,000	\$ 84,400
Interest	10	460	470
Other	490	-	490
TOTAL REVENUE	<u>78,900</u>	<u>6,460</u>	<u>85,360</u>
EXPENDITURES:			
Repair and maintenance	9,130	-	9,130
Utilities	10,600	-	10,600
Contract grounds maintenance	34,800	-	34,800
Irrigation repair	800	-	800
Other grounds maintenance	4,460	-	4,460
Lakes and waterways	2,100	-	2,100
Contract management fee	8,860	-	8,860
Office and other	5,140	-	5,140
Accounting	800	-	800
Insurance	3,350	-	3,350
License and fees	60	-	60
Bad debt	200	-	200
Replacement expenditures	-	13,060	13,060
TOTAL EXPENDITURES	<u>80,300</u>	<u>13,060</u>	<u>93,360</u>
EXPENDITURES IN EXCESS OF REVENUE	< 1,400 >	< 6,600 >	< 8,000 >
FUND BALANCE – Beginning of year	< 11,090 >	24,190	13,100
FUND TRANSFER	6,000	< 6,000 >	-
FUND BALANCE – End of year	<u>\$ &lt; 6,490 &gt;</u>	<u>\$ 11,590</u>	<u>\$ 5,100</u>

The accompanying notes are an integral part of the financial statements.

MANDERLEY HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Expenditures in excess of revenue	\$ < 1,400 >	\$ < 6,600 >
Adjustment to reconcile excess of revenue over expenditures to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	1,260	-
Prepaid expenses	< 350 >	-
Due from operating fund	-	1,580
Increase (decrease) in:		
Accounts payable and accrued expenses	3,450	-
Prepaid assessments	10,260	-
Due to replacement fund	< 1,580 >	-
NET CASH PROVIDED (USED) BY OPERATIONS	11,640	< 5,020 >
CASH AT BEGINNING OF YEAR	13,030	22,610
FUND TRANSFER	6,000	< 6,000 >
CASH AT END OF YEAR	<u>\$ 30,670</u>	<u>\$ 11,590</u>

The accompanying notes are an integral part of the financial statements.

**MANDERLEY HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**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, 2005

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 1/1/2005	FUNDING DURING YEAR	INTEREST INCOME	FUND TRANSFER	EXPENSES DURING YEAR	BALANCE 12/31/2005
Capital improvements	<u>\$ 24,190</u>	<u>\$ 6,000</u>	<u>\$ 460</u>	<u>\$ &lt; 6,000 &gt;</u>	<u>\$ 13,060</u>	<u>\$ 11,590</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.