

**MAGNOLIA POINTE MASTER
HOMEOWNERS' ASSOCIATION, INC.**

FINANCIAL STATEMENTS

Year Ended December 31, 2008

**MAGNOLIA POINTE MASTER
HOMEOWNERS' ASSOCIATION, INC.
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Sines, Girvin, Blakeslee & Campbell

Certified Public Accountants, P.A.

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To the Board of Directors and Members
Magnolia Pointe Master Homeowners' Association

We have reviewed the accompanying balance sheet of Magnolia Pointe Master Homeowners' Association 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. All information included in these financial statements is the representation of the management of Magnolia Pointe Master Homeowners' Association.

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, 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 American Institute of Certified Public Accountants has determined that supplementary information about future repairs and replacements of common property is required to supplement, but not required to be part of, the basic financial statements. The association has not presented this supplementary information.

A handwritten signature in cursive script, appearing to read 'Sines, Girvin, Blakeslee & Campbell'.

Certified Public Accountants, P.A.
April 25, 2009

MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC.

BALANCE SHEET

December 31, 2008

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash, including interest-bearing deposits	\$ 18,389	\$ 112,934	\$ 131,323
Accrued Interest Receivable	-	351	351
Assessments receivable	103,496	-	103,496
Deposits	3,510	-	3,510
Due from Operating Fund	-	60,000	60,000
Prepaid expenses	13,757	-	13,757
TOTAL ASSETS	<u>\$ 139,152</u>	<u>\$ 173,285</u>	<u>\$ 312,437</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 2,968	\$ -	\$ 2,968
Assessments received in advance	10,529	-	10,529
Due to Replacement Fund	60,000	-	60,000
Income Tax Payable	629	-	629
TOTAL LIABILITIES	<u>74,126</u>	<u>-</u>	<u>74,126</u>
FUND BALANCES	<u>65,026</u>	<u>173,285</u>	<u>238,311</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 139,152</u>	<u>\$ 173,285</u>	<u>\$ 312,437</u>

See accompanying notes and accountants review report.

MAGNOLIA POINTE MASTER HOMEOWNERS' 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>
REVENUES			
Regular assessments	\$ 316,256	\$ 53,067	\$ 369,323
Interest income	139	3,557	3,696
Other	2,561	3,000	5,561
Initial Fees	500	-	500
Legal Fees	1,934	-	1,934
	<u>321,390</u>	<u>59,624</u>	<u>381,014</u>
EXPENSES			
Advertising	530	-	530
Utilities	25,960	-	25,960
Contract grounds maintenance	29,156	-	29,156
Pest Control	1,660	-	1,660
Contract management fee	28,860	-	28,860
Security	122,519	-	122,519
Office and other	4,209	-	4,209
Accounting	1,150	-	1,150
Income Taxes	629	-	629
Insurance	13,373	-	13,373
Legal	19,615	-	19,615
License and fees	96	-	96
Replacement expenditures	30,647	33,969	64,616
	<u>278,404</u>	<u>33,969</u>	<u>312,373</u>
 EXCESS OF REVENUES OVER EXPENSES	 42,986	 25,655	 68,641
 FUND BALANCE - Beginning of year	 <u>22,040</u>	 <u>147,630</u>	 <u>169,670</u>
 FUND BALANCE - End of year	 <u>\$ 65,026</u>	 <u>\$ 173,285</u>	 <u>\$ 238,311</u>

See accompanying notes and accountant's review report.

MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 42,986	\$ 25,655	\$ 68,641
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	(87,366)	-	(87,366)
Accrued interest receivable	-	(351)	(351)
Prepaid expenses	(617)	-	(617)
Due from other Fund	60,000	(60,000)	-
Increase (decrease) in:			
Accounts payable and accrued liabilities	898	-	898
Assessments received in advance	(16,241)	-	(16,241)
Income Tax Payable	629	-	629
Insurance proceeds	(4,290)	-	(4,290)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(4,001)	(34,696)	(38,697)
CASH AT BEGINNING OF YEAR	22,390	147,630	170,020
CASH AT END OF YEAR	\$ 18,389	\$ 112,934	\$ 131,323

See accompanying notes and accountants' review report.

MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1—NATURE OF ORGANIZATION

Magnolia Pointe Master 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 Clermont, FL.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts on an accrual basis using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund—This 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.

Replacement Fund—This 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.

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 thirty days or more delinquent. The Association considers all assessments receivable at December 31, 2008 to be fully collectible.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. With either election the Association is generally taxed only on its non-membership income, such as interest earnings. For the year ended December 31, 2008, the Association was taxed as a Association and filed Form 1120H.

NOTE 3—FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Management is funding such major repairs and replacements over the estimated useful lives of the components. 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, however, the Association has the right, subject to member approval, to increase regular assessments or 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.

Accumulated funds, which aggregate approximately \$113,000 at December 31, 2008, are held in separate accounts and are generally not available for operating purposes.

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

Component	Balance 1/1/2008	Funding During CY	Interest and Other	Expenses During CY	Balance 12/31/2008
Trees	\$ 8,270	\$ 2,800	\$ -	\$ -	\$ 11,070
Contingency	25,290	4,000	3,000	28,872	3,418
Tennis Court	11,600	1,000	-	-	12,600
Resealing	12,750	-	-	-	12,750
Paving	59,870	30,000	-	-	89,870
Dock/Ramp	6,060	3,000	-	5,097	3,963
Gatehouse	7,490	3,517	-	-	11,007
Playgrounds	2,290	2,000	-	-	4,290
Signs	2,110	750	-	-	2,860
Irrigation Equipment	4,970	1,000	-	-	5,970
Perimeter Wall	3,910	5,000	-	-	8,910
Interest	3,020	-	3,557	-	6,577
	<u>\$ 147,630</u>	<u>\$ 53,067</u>	<u>\$ 6,557</u>	<u>\$ 33,969</u>	<u>\$ 173,285</u>

See accountant's review report