

**THE GLADES ON SYLVAN LAKE
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
The Glades on Sylvan Lake Homeowners Association, Inc.

We have reviewed the accompanying balance sheet of The Glades on Sylvan Lake Homeowners Association, Inc. as of December 31, 2006, 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 The Glades on Sylvan Lake Homeowners Association, Inc.

A review consists principally of inquiries 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 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 Association has not presented this supplementary information.



Joseph R. Michalak
Certified Public Accountant

Maitland, Florida
February 27, 2007

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2006

| | <u>OPERATING FUND</u> | <u>REPLACEMENT FUND</u> | <u>TOTAL</u> |
|---------------------------------------|---------------------------|-----------------------------|------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 54,350 | \$ 34,430 | \$ 88,780 |
| Assessments receivable | 1,880 | - | 1,880 |
| Prepaid expenses | 1,600 | - | 1,600 |
| Deposit | 760 | - | 760 |
| TOTAL ASSETS | <u>\$ 58,590</u> | <u>\$ 34,430</u> | <u>\$ 93,020</u> |
| LIABILITIES: | | | |
| Accounts payable and accrued expenses | \$ 4,320 | \$ - | \$ 4,320 |
| Prepaid assessments | 20,030 | - | 20,030 |
| Insurance proceeds | 350 | - | 350 |
| TOTAL LIABILITIES | <u>24,700</u> | <u>-</u> | <u>24,700</u> |
| FUND BALANCE: | <u>33,890</u> | <u>34,430</u> | <u>68,320</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 58,590</u> | <u>\$ 34,430</u> | <u>\$ 93,020</u> |

See accompanying notes and accountants' review report.

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended December 31, 2006

| | <u>OPERATING FUND</u> | <u>REPLACEMENT FUND</u> | <u>TOTALS</u> |
|--|---------------------------|-----------------------------|------------------|
| REVENUE: | | | |
| Assessments | \$ 91,370 | \$ - | \$ 91,370 |
| Interest | 620 | 1,080 | 1,700 |
| Other | <u>1,000</u> | <u>-</u> | <u>1,000</u> |
| TOTAL REVENUE | <u>92,990</u> | <u>1,080</u> | <u>94,070</u> |
| EXPENDITURES: | | | |
| Building repair and maintenance | 2,210 | - | 2,210 |
| Lake, waterway, fountain | 3,370 | - | 3,370 |
| Utilities | 11,600 | - | 11,600 |
| Contract grounds maintenance | 26,570 | - | 26,570 |
| Other grounds maintenance | 12,390 | - | 12,390 |
| Contract management fee | 13,540 | - | 13,540 |
| Office and other | 3,020 | - | 3,020 |
| Legal and accounting | 2,430 | - | 2,430 |
| Insurance | 7,330 | - | 7,330 |
| License and fees | 60 | - | 60 |
| Contingency | <u>8,500</u> | <u>-</u> | <u>8,500</u> |
| TOTAL EXPENDITURES | <u>91,020</u> | <u>-</u> | <u>91,020</u> |
| REVENUE IN EXCESS OF EXPENDITURES | 1,970 | 1,080 | 3,050 |
| FUND BALANCE – Beginning of year | <u>31,920</u> | <u>33,350</u> | <u>65,270</u> |
| FUND BALANCE – End of year | <u>\$ 33,890</u> | <u>\$ 34,430</u> | <u>\$ 68,320</u> |

See accompanying notes and accountants' review report.

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

| | <u>OPERATING FUND</u> | <u>REPLACEMENT FUND</u> |
|---|---------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Revenue in excess of expenditures | \$ 1,970 | \$ 1,080 |
| Adjustment to reconcile excess of revenue over expenditures to net cash provided by operating activities: | | |
| (Increase) decrease in: | | |
| Assessments receivable | < 1,570 > | - |
| Prepaid expenses | < 180 > | - |
| Deposit | < 100 > | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 780 | - |
| Prepaid assessments | 17,480 | - |
| NET CASH PROVIDED (USED) BY OPERATIONS | 18,380 | 1,080 |
| CASH AT BEGINNING OF YEAR | <u>35,970</u> | <u>33,350</u> |
| CASH AT END OF YEAR | <u>\$ 54,350</u> | <u>\$ 34,430</u> |

See accompanying notes and accountants' review report.

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Glades on Sylvan Lake 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 212 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.

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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 1/1/2006 | FUNDING DURING YEAR | INTEREST INCOME | EXPENSES DURING YEAR | BALANCE 12/31/2006 |
|----------------------|---------------------|---------------------------|--------------------|----------------------------|-----------------------|
| Tennis court | \$ 60 | \$ - | \$ 70 | \$ - | \$ 130 |
| General fund | 12,120 | - | 280 | - | 12,400 |
| Tot lot | 2,100 | - | 40 | - | 2,140 |
| Contingency | 1,050 | - | 20 | - | 1,070 |
| Gazebo | 5,240 | - | 110 | - | 5,350 |
| Well / Pump | 2,100 | - | 40 | - | 2,140 |
| Phase I fountain | 100 | - | 130 | - | 230 |
| Phase II fountain | 100 | - | 130 | - | 230 |
| Dock | 6,530 | - | 130 | - | 6,660 |
| Recreation area | 3,950 | - | 130 | - | 4,080 |
| | <u>\$ 33,350</u> | <u>\$ -0-</u> | <u>\$ 1,080</u> | <u>\$ -0-</u> | <u>\$ 34,430</u> |

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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.