

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

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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, 2008, 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 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.

J. Michalak, LLC

Joseph R. Michalak, LLC
Certified Public Accountant

Maitland, Florida
April 15, 2009

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2008

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash, including interest bearing deposits	\$ 56,140	\$ 32,830	\$ 88,970
Assessments receivable net of allowance (Note 3)	2,970	-	2,970
Deposit	<u>760</u>	<u>-</u>	<u>760</u>
TOTAL ASSETS	<u>\$ 59,870</u>	<u>\$ 32,830</u>	<u>\$ 92,700</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 5,920	\$ -	\$ 5,920
Assessments received in advance	<u>1,770</u>	<u>-</u>	<u>1,770</u>
TOTAL LIABILITIES	<u>7,690</u>	<u>-</u>	<u>7,690</u>
FUND BALANCE:	<u>52,180</u>	<u>32,830</u>	<u>85,010</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 59,870</u>	<u>\$ 32,830</u>	<u>\$ 92,700</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, 2008

	OPERATING FUND	REPLACEMENT FUND	TOTALS
REVENUE:			
Assessments	\$ 96,750	\$ -	\$ 96,750
Interest	1,930	670	2,600
Other	1,260	-	1,260
	99,940	670	100,610
TOTAL REVENUE			
EXPENDITURES:			
Building repair and maintenance	1,920	-	1,920
Lake, waterway, fountain	3,190	-	3,190
Utilities	11,890	-	11,890
Contract grounds maintenance	26,910	-	26,910
Irrigation repair	4,880	-	4,880
Other grounds maintenance	8,810	-	8,810
Contract management fee	13,540	-	13,540
Office and other	3,240	-	3,240
Legal and accounting	11,310	-	11,310
Insurance	7,000	-	7,000
License and fees	60	-	60
Bad debt	1,700	-	1,700
Income tax	150	-	150
	94,600	-	94,600
TOTAL EXPENDITURES			
REVENUE IN EXCESS OF EXPENDITURES	5,340	670	6,010
FUND BALANCE – Beginning of year	46,840	32,160	79,000
FUND BALANCE – End of year	\$ 52,180	\$ 32,830	\$ 85,010

See accompanying notes and accountants' review report.

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

	OPERATING FUND	REPLACEMENT FUND
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenue in excess of expenditures	\$ 5,340	\$ 670
Adjustment to reconcile excess of revenue over expenditures to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	< 2,290 >	-
Prepaid expenses	1,600	-
Increase (decrease) in:		
Accounts payable and accrued expenses	3,800	-
Assessments received in advance	360	-
	<u>8,810</u>	<u>670</u>
NET CASH PROVIDED (USED) BY OPERATIONS	8,810	670
CASH AT BEGINNING OF YEAR	<u>47,330</u>	<u>32,160</u>
CASH AT END OF YEAR	<u>\$ 56,140</u>	<u>\$ 32,830</u>

See accompanying notes and accountants' review report.

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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, 2008

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 1/1/2008	FUNDING DURING YEAR	INTEREST INCOME	EXPENSES DURING YEAR	BALANCE 12/31/2008
Tennis court	\$ 140	\$ -	\$ -	\$ -	\$ 140
General fund	9,050	-	-	-	9,050
Tot lot	2,150	-	-	-	2,150
Contingency	1,080	-	-	-	1,080
Gazebo	5,360	-	-	-	5,360
Well / Pump	2,150	-	-	-	2,150
Fountains	510	-	-	-	510
Dock	6,680	-	-	-	6,680
Recreation area	4,100	-	-	-	4,100
Interest	940	-	670	-	1,610
	<u>\$ 32,160</u>	<u>\$ -0-</u>	<u>\$ 670</u>	<u>\$ -0-</u>	<u>\$ 32,830</u>

THE GLADES ON SYLVAN LAKE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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.