

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED
DECEMBER 31, 2010**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1-2
 <u>Financial Statements</u>	
Balance Sheet.....	3
Statement of Revenues and Expenses.....	4
Statement of Changes in Fund Balances.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7-14
 <u>Supplementary Information</u>	
Schedule of Future Major Repairs and Replacements (Unaudited).....	15
Statement of Revenues and Expenses - Operating Fund (Unaudited).....	16-18
Statement of Revenues and Expenses - Replacement Fund (Unaudited).....	19



INTEGRITY KNOWLEDGE SERVICE COMMITMENT®

INDEPENDENT AUDITOR'S REPORT

Lennar Homes, LLC
Bradenton, Florida

We have audited the accompanying balance sheet of Stoneybrook at Heritage Harbour Community Association, Inc. (the "Association") as of December 31, 2010 and the related statements of revenues and expenses, changes in fund balances, 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 Stoneybrook at Heritage Harbour Community Association, Inc. as of December 31, 2010 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 of America.

As discussed in Note C to the financial statements, there are delinquent assessments receivable of which the ultimate collectibility cannot be presently determined. Management has made an allowance for doubtful accounts in the amount of \$75,000. The ultimate realizable value of the assessments receivable may be less than \$151,253.

As reflected in the balance sheet of the financial statements, there is an inter-fund receivable/payable of \$1,085. Even though management does not maintain detail reflecting the inter-fund activity, these balances exist because of the relationship between the operating and replacement fund, and the movement of cash. On a combined basis, there is no economic impact on the Association. Because management does not maintain the inter-fund activity, the account detail is not presently determinable.

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants - Management Consulting Services Division / Private Companies Practice Section / Tax Division

PRINCIPAL OFFICE

20900 NE 30TH AVE., STE. 200
AVENTURA, FL 33180
786.427.1002 • f 305.749.0999

14030 METROPOLIS AVE., STE. 200
FORT MYERS, FL 33912
239.433.1002 • f 239.433.0249

1640 PERIWINKLE WAY, STE. 4
SANIBEL, FL 33957
239.395.5325 • f 239.395.2396

www.stroemercpa.com

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

The supplementary schedule of future major repairs and replacements is not a required part of the basic financial statements but is supplementary information required by the Financial Accounting Standards Board and the Florida Statutes. We have applied certain limited procedures to the supplementary information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The supplementary statement of revenues and expenses - operating fund and supplementary statement of revenues and expenses - replacement fund are presented only for purposes of additional analysis and are not a required part of the basic financial statements taken as a whole. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Stroemer & Company, P.A.", is written over the typed name.

STROEMER & COMPANY, P.A.
Fort Myers, Florida
August 10, 2011

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
December 31, 2010**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 94,206	\$ 88,413	\$ 182,619
Certificates of deposit	-	217,199	217,199
Assessments receivable, net	151,253	-	151,253
Other receivables	11,225	-	11,225
Due from replacement fund	1,085	-	1,085
Prepaid insurance	8,721	-	8,721
Property and equipment, net	1,347	-	1,347
Deposits	50,891	-	50,891
	<u>\$ 318,728</u>	<u>\$ 305,612</u>	<u>\$ 624,340</u>
TOTAL ASSETS			
 LIABILITIES AND FUND BALANCES			
Note payable - insurance	\$ 2,866	\$ -	\$ 2,866
Accounts payable	85,241	-	85,241
Due to Developer	149,720	-	149,720
Due to operating fund	-	1,085	1,085
Prepaid assessments	91,687	-	91,687
	<u>329,514</u>	<u>1,085</u>	<u>330,599</u>
TOTAL LIABILITIES			
	<u>(10,786)</u>	<u>304,527</u>	<u>293,741</u>
FUND BALANCES			
 TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 318,728</u>	<u>\$ 305,612</u>	<u>\$ 624,340</u>

The accompanying notes are an integral part of this statement.

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
Year ended December 31, 2010**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Assessments	\$ 869,742	\$ 31,010	\$ 900,752
Developer subsidy	40,548	-	40,548
Resale capital contribution	34,500	-	34,500
Late fees	33,436	-	33,436
Gate remote income	8,570	-	8,570
Miscellaneous income	7,741	-	7,741
Transfer fee income	5,095	-	5,095
Rental income	3,374	-	3,374
Interest income	201	2,551	2,752
TOTAL REVENUES	1,003,207	33,561	1,036,768
EXPENSES			
Utility	271,271	-	271,271
Administrative	223,366	-	223,366
Recreation	169,001	-	169,001
Grounds maintenance	160,314	-	160,314
Gatehouse	147,760	-	147,760
Miscellaneous	31,495	-	31,495
Reserve expense	-	13,699	13,699
TOTAL EXPENSES	1,003,207	13,699	1,016,906
EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE OTHER EXPENSES	-	19,862	19,862
OTHER EXPENSES			
Depreciation expense	1,397	-	1,397
TOTAL OTHER EXPENSES	1,397	-	1,397
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ (1,397)	\$ 19,862	\$ 18,465

The accompanying notes are an integral part of this statement.

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
STATEMENT OF CHANGES IN FUND BALANCES
Year ended December 31, 2010**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances, January 1, 2010, as previously stated	\$ (9,389)	\$ 352,717	\$ 343,328
Prior period adjustment	<u>-</u>	<u>(68,052)</u>	<u>(68,052)</u>
Balances, January 1, 2010, as restated	(9,389)	284,665	275,276
Excess of revenues over (under) expenses	<u>(1,397)</u>	<u>19,862</u>	<u>18,465</u>
Balances, December 31, 2010	<u>\$ (10,786)</u>	<u>\$ 304,527</u>	<u>\$ 293,741</u>

The accompanying notes are an integral part of this statement.

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2010**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash collected from assessments	\$ 849,820	\$ 31,010	\$ 880,830
Cash collected from Developer	75,000	-	75,000
Cash paid to suppliers	(970,731)	(13,699)	(984,430)
Resale capital contribution received	34,500	-	34,500
Late fee income received	33,436	-	33,436
Gate remote income received	8,570	-	8,570
Miscellaneous income received	7,741	-	7,741
Transfer fee income received	5,095	-	5,095
Rental income received	3,374	-	3,374
Interest income	201	2,551	2,752
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>47,006</u>	<u>19,862</u>	<u>66,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Reinvested interest	-	(1,950)	(1,950)
Deposits paid	(24,400)	-	(24,400)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(24,400)</u>	<u>(1,950)</u>	<u>(26,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable - insurance	25,088	-	25,088
Principal payments on note payable - insurance	(25,386)	-	(25,386)
Interfund transfer	(3,651)	3,651	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(3,949)</u>	<u>3,651</u>	<u>(298)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,657	21,563	40,220
Cash and cash equivalents, as of January 1, 2010	<u>75,549</u>	<u>66,850</u>	<u>142,399</u>
CASH AND CASH EQUIVALENTS, AS OF DECEMBER 31, 2010	<u>\$ 94,206</u>	<u>\$ 88,413</u>	<u>\$ 182,619</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF EXCESS OF REVENUES OVER
(UNDER) EXPENSES TO NET CASH PROVIDED BY
(USED IN) OPERATING ACTIVITIES**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess of revenues over (under) expenses	\$ (1,397)	\$ 19,862	\$ 18,465
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:			
Bad debt expense	23,530	-	23,530
Depreciation expense	1,397	-	1,397
Increase in assessments receivable	(39,221)	-	(39,221)
Increase in other receivables	(11,225)	-	(11,225)
Decrease in prepaid insurance	177	-	177
Increase in accounts payable	43,524	-	43,524
Increase in due to Developer	34,452	-	34,452
Decrease in prepaid assessments	(4,231)	-	(4,231)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 47,006</u>	<u>\$ 19,862</u>	<u>\$ 66,868</u>

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

Page 7 of 19

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

Stoneybrook at Heritage Harbour Community Association, Inc. (the "Association"), which is located in Bradenton, Florida, was incorporated on March 6, 2000, under Chapter 617 of the Florida Statutes as a not-for-profit organization. The Declaration of Covenants, Conditions and Restrictions (the "Declaration") was filed in the official records of Manatee County, Florida on January 22, 2002. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapter 720, and the provisions of the Declaration. The Association consists of 2,000 residential units of which 947 were closed as of December 31, 2010. The Association's operations began in March, 2002.

Fund accounting

The Association maintains its accounts 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 is used to account for financial resources available for the general operations of the Association.

Replacement fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

The Association prepares its financial statements on the accrual basis of accounting and in accordance with the "Real Estate - Common Interest Realty Association's Topic of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC")."

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Association to make estimates and assumptions that affect the reported amounts of assets, 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.

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and cash equivalents

For purposes of reporting cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Prepaid assessments

Prepaid assessments represent amounts paid to the Association before the assessments were due.

Capital contributions

Pursuant to Section 9.12 of the Declaration of Covenants, Conditions and Restrictions: The first purchaser of each Lot, Living Unit, Tract or Parcel, at the time of closing of the conveyance from the Declarant to the purchaser, shall pay to the Developer an initial capital contribution. The funds derived from initial capital contributions may be used at the discretion of the Developer for any purpose, including but not limited to, future and existing capital improvements, operating expenses, support costs and start-up costs. The Declarant may waive this requirement for some Lots and Living Units in the Declarant's sole and unbridled discretion.

Resale contributions

Pursuant to Section 9.13 of the Declaration of Covenants, Conditions and Restrictions: In addition to the Initial Capital Contributions, the Community Association may levy a Resale Capital Assessment upon the transferee in any conveyance of a Lot or Living Unit by a member. The amount of the Resale Capital Assessment and the manner of payment shall be as determined by resolution of the Board from time to time; provided, however, all Lots or Living Units similarly situated shall be assessed at a uniform rate. The due date shall be the date of the closing of the conveyance. Payment of the Resale Capital Assessments shall be the legal obligation of the transferee. For purposes of this Section, the term "conveyance" shall mean the transfer of record legal title to a Lot or Living Unit by deed or other authorized means of conveyance, with or without valuable consideration, and shall also refer to a transfer of possession and beneficial ownership by means of an agreement for deed. It does not refer to a transfer of title resulting from foreclosure of a lien, or the death of the transferee, nor to a transfer of title to a Director or the transferor's spouse without changing occupancy, solely for estate planning or tax reasons. Resale capital assessments shall be considered an assessment and can be collected as such in accordance with the provisions under Article 9.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment

The Association follows prevalent industry practice, as contained in the "Real Estate - Common Interest Realty Associations Topic of the FASB ASC" in accounting for the common property of the Association. Property that is not directly associated with the units is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property at the discretion of the Board of Directors or the property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers. As a result, commonly owned assets are not recorded on the Association's financial statements. Assets not recorded on the books of the Association include buildings, pool, recreation equipment and courts and roadways. Property directly associated with the units is not capitalized.

The Association capitalizes personal property at cost and depreciates it using the straight-line method.

Income taxes

The Association has selected a December 31 year-end and files its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to unit owners and other income received from Association unit owners solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income, less a portion of allocated Association expenses. The Association had no tax due for the year ended December 31, 2010 using the 1120H method of tax filing.

The Association's tax filings are subject to audit by various taxing authorities. Certain income tax returns filed by the Association remain open to examination by these government agencies. The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Association adopted this guidance. The Association has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Interest earned

Interest income earned in the operating fund or the replacement fund is recorded in its respective fund. The Association allocates interest earned in the replacement fund between the reserve components on a pro-rata basis based on the related balances of each reserve component.

Concentration of credit risk

The Association maintains accounts at financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billings to unit owners who make quarterly assessments and live within the complex. The Association does not anticipate credit losses in the near future.

Fair value of financial instruments

The carrying value of cash and cash equivalents, certificates of deposit, receivables, prepaids, property and equipment, deposits, payables, prepaid assessments, and due to Developer approximate fair value due to the short maturity of these financial instruments.

Revenue recognition

Assessment revenue is recorded quarterly in the amount of the assessment allocation specified for current period operations, based on the annual budget adopted by the Board of Directors. Each unit owner is an Association member and an equal portion of the assessment is assessed for each unit.

NOTE B - CERTIFICATES OF DEPOSIT

As of December 31, 2010, certificates of deposit consisted of the following:

Description	Maturity Date	Interest Rate	Amount
The PrivateBank & Trust Co.	02/03/11	0.16%	\$ 25,657
East West Bank	02/03/11	0.45%	25,888
The PrivateBank & Trust Co.	06/30/11	0.25%	139,428
BB&T	08/04/11	0.60%	26,226
			<u>\$ 217,199</u>

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE C - ASSESSMENTS RECEIVABLE

Assessments receivable are carried at the original charge amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An assessments receivable is considered to be past due if any portion of the receivable balance is outstanding for more than one month. A late fee is charged on assessments receivable that are outstanding for more than one month and is recognized as income as it is charged.

As of December 31, 2010, the Association had assessments receivable of:

	<u>Amount</u>
Assessment receivable	\$ 226,253
Allowance for doubtful accounts	<u>(75,000)</u>
	<u>\$ 151,253</u>

NOTE D - PROPERTY AND EQUIPMENT, NET

As of December 31, 2010, property and equipment consisted of the following:

	<u>Amount</u>
Computer	\$ 2,255
Furniture and equipment	4,519
Pool equipment	<u>5,361</u>
	12,135
Less: accumulated depreciation	<u>(10,788)</u>
	<u>\$ 1,347</u>

Depreciation expense for the year ended December 31, 2010 was \$1,397.

NOTE E - DUE TO DEVELOPER

In accordance with the provisions of the Declaration of Covenants, Conditions, and Restrictions for Stoneybrook at Heritage Harbour Community Association, Inc., Section 9.2:

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE E - DUE TO DEVELOPER, CONTINUED

During the period that Declarant membership exists, the Declarant covenants to subsidize the general operating expenses of the Community Association, by contributing the difference, if any, between net operating expenses and all income of the Community Association including but not limited to assessment income from members other than the Declarant. Declarant, however, shall not be obligated to contribute to or pay for funding any reserves for capital expenditures or deferred maintenance, capital improvement fund, or special assessment. Reserves, if collected, need not be segregated into separate deferred maintenance accounts, but rather, may be lumped together into one (1) reserve account. Declarant's rights and obligations hereunder may be assigned in whole or in part to any builder.

The Developer's total liability to the Association for the year ended December 31, 2010 is \$40,548. For the year ended December 31, 2010, the Developer had made total payments of \$75,000, and had a due to Developer of \$115,268 at December 31, 2009, leaving a due to Developer of \$149,720 at December 31, 2010.

This is comprised of the following items:

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Common expenses (other than reserves)	\$ 1,003,207	\$ -	\$ 1,003,207
Budgeted reserves	-	31,010	31,010
Association revenue from all sources other than the Developer	<u>(962,659)</u>	<u>(31,010)</u>	<u>(993,669)</u>
Developer's subsidy obligation	40,548	-	40,548
Due to Developer at December 31, 2009 (including prior period adjustment)	(115,268)	-	(115,268)
Payments made by the Developer	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>
Due to Developer	<u>\$ (149,720)</u>	<u>\$ -</u>	<u>\$ (149,720)</u>

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE F - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to correct the replacement fund balance that was overstated. The effects of this adjustment is a decrease to the replacement fund balance and a increase in the due to Developer balance by \$68,052.

NOTE G - REPLACEMENT FUND

Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless funding is waived or modified by the unit owners at a unit owner meeting. These funds are generally not available for expenditures for normal operations.

The Board of Directors periodically reviews the major components of common property and establishes estimated remaining useful lives and replacements costs for Association assets. No outside independent analysis of remaining useful lives or future replacements costs has been conducted by the Association.

The Association is currently fully funding for such major repairs and replacements over the estimated useful lives of the components based on current replacement costs, using the straight-line method. Actual expenditures 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 all future major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or delay repairs and replacements until funds are available.

The following presents the changes in the replacement fund:

Component	Beginning Fund Balance	Revenues	Expenses	Ending Fund Balance
Roof replacement gate	\$ 5,848	\$ 661	\$ -	\$ 6,509
Roof replacement rec	11,699	(1,374)	-	10,325
Building repaint rec	25,453	-	-	25,453
Building repaint gate	4,690	-	-	4,690
Pavement resurfacing	111,134	15,533	-	126,667
Paver block replacement	5,848	1,500	-	7,348
Pool heater/pump	14,624	6,000	(10,414)	10,210
Pool marcite	23,396	-	(3,285)	20,111
Playground equipment	20,472	5,000	-	25,472
Activity courts	38,019	-	-	38,019
Storm damage	20,472	-	-	20,472
Contingency reserve	3,010	3,690	-	6,700
Unallocated interest	-	2,551	-	2,551
	\$ 284,665	\$ 33,561	\$ (13,699)	\$ 304,527

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

Page 14 of 19

NOTE H - RELATED PARTY TRANSACTIONS

Developer

For the year ended December 31, 2010 the Association's Board of Directors was controlled by Lennar Homes (the "Developer"). As such, the Developer controls the Association's management, policy setting, and finances. For the year ended December 31, 2010, approximately 4% of the Association's revenue was derived from the Developer. As of December 31, 2010, the Association had a balance due from due to the Developer of \$149,720.

Transactions with Affiliate

The Developer provides irrigation services to the Association through an affiliate. Expenses related to these services were approximately \$225,000 in 2010. As of December 31, 2010, the Association had a balance due to the affiliate of \$65,000.

Community Development District

The Association's geographical territory is encompassed within the Heritage Harbour South CDD District, which is a local limited purpose independent governmental agency designed to provide community related services to its residents by maintaining the Community's infrastructure.

NOTE I - COMMITMENTS AND CONTINGENCIES

The Association maintains insurance coverage for damage sustained by the condominium building. The insurance coverage in force includes substantial deductible amounts which the Association would be required to fund. In addition, inasmuch as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such loss in excess of the aforementioned maximum deductible cannot be determined.

NOTE J - SUBSEQUENT EVENTS

Management has assessed subsequent events through August 10, 2011, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND
REPLACEMENTS (UNAUDITED)
Year ended December 31, 2010**

There has not been a formal study to estimate the remaining useful lives or to calculate the replacement costs of future major repairs and replacements. The estimated current replacement costs do not include the possible effect of inflation between the date of the estimate and the date that the components will require repair or replacement. These estimates were made at the inception of the Association and were established by the Developer based on its knowledge of what it would cost to replace the common property. The Developer used its contractors to assist in estimating the current replacement costs of the future major repairs and replacements.

The following table is based on estimates provided by the Developer and presents significant information about the components of common property:

Component	Estimated Remaining Useful Life	Estimated Current Replacement Costs	Replacement Fund Balance at December 31, 2010
Roof replacement gate	6 years	\$ 20,000	\$ 6,509
Roof replacement rec	7 years	45,000	10,325
Building repaint rec	0 years	25,000	25,453
Building repaint gate	0 - 5 years	8,500	4,690
Pavement resurfacing	12 years	233,000	126,667
Paver block replacement	1 year	15,000	7,348
Pool heater/pump	1 - 5 years	47,800	10,210
Pool marcite	0 - 5 years	40,000	20,111
Playground equipment	2 years	50,000	25,472
Activity courts	0 years	26,000	38,019
Strom damage	0 years	5,000	20,472
Contingency reserve	1 year	10,000	6,700
Unallocated interest	N/A	-	2,551
		\$ 525,300	\$ 304,527

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES -
OPERATING FUND (UNAUDITED)
Year ended December 31, 2010**

	<u>Amount</u>
REVENUES	
Assessments	\$ 869,742
Developer subsidy	40,548
Resale capital contribution	34,500
Late fees	33,436
Gate remote income	8,570
Miscellaneous income	7,741
Transfer fee income	5,095
Rental income	3,374
Interest income	<u>201</u>
TOTAL REVENUES	1,003,207
EXPENSES	
ADMINISTRATIVE	
Management fees	65,343
Bank charges	4,077
Manager salary	65,995
Insurance	38,694
Bad debt expense	-
Corporate report	61
Tax preparation	9,350
Office expense	4,526
Uncollectible bad debts	23,530
Copier lease	5,173
Professional expense	4,355
Postage	1,376
Interest expense	<u>886</u>
Total administrative	223,366
GATEHOUSE	
Attendant/monitoring	121,410
Repairs and maintenance	10,012
Gate repair and maintenance	6,680
Remote and cards	5,203
Internet	1,718
Telephone	<u>2,737</u>
Total gatehouse	147,760

**STONEYBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES -
OPERATING FUND (UNAUDITED), CONTINUED
Year ended December 31, 2010**

	<u>Amount</u>
EXPENSES, CONTINUED	
 GROUNDS MAINTENANCE	
Lawn service	84,726
Mulch	925
Maintenance repair	18
Irrigation parts	20,024
Irrigation labor	14,556
Pruning sabal palms	7,420
Annuals planted	8,499
Payroll maintenance person	17,961
Maintenance - labor	459
Trees/shrubs replacement	3,455
Sod/seed	2,271
Total grounds maintenance	<u>160,314</u>
 MISCELLANEOUS	
Preserve maintenance	6,874
Lake maintenance	24,621
Total miscellaneous	<u>31,495</u>
 RECREATION	
Attendant	14,421
Fitness classes	780
Janitorial	15,920
Computer support	941
Decorations	1,056
Exercise equipment repair	3,646
General repairs	51,518
Pool cleaning	14,730
Activities director	39,979
Pool equipment repair	10,199
Internet	1,273
Telephone	4,762
Member functions	2,680
Office supplies	2,367
Alarm	1,350
Cable	1,049
Supplies	499
Sales and tax	711
Pest control	1,120
Total recreation	<u>169,001</u>

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES -
OPERATING FUND (UNAUDITED), CONTINUED
Year ended December 31, 2010**

	<u>Amount</u>
EXPENSES, CONTINUED	
UTILITY	
Electricity - activity courts	669
Electricity - street lights	32,560
Electricity - pools	15,511
Electricity - rec center	7,472
Electricity - gate house	502
Irrigation water aquaterra - (ind)	128,369
Irrigation water aquaterra	70,345
LP gas - pool	8,485
Water/sewer - rec building	5,939
Water - gatehouse	297
Trash pickup	411
Water/sewer - satellite pools	711
Total utility	<u>271,271</u>
 TOTAL EXPENSES	 <u>1,003,207</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE OTHER EXPENSES	 <u>-</u>
 OTHER EXPENSES	
Depreciation expense	<u>1,397</u>
 TOTAL OTHER EXPENSES	 <u>1,397</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENSES	 <u>\$ (1,397)</u>

**STONEBROOK AT HERITAGE HARBOUR
COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES -
REPLACEMENT FUND (UNAUDITED)
Year ended December 31, 2010**

	<u>Amount</u>
REVENUES	
Assessments	\$ 31,010
Interest income	<u>2,551</u>
TOTAL REVENUES	33,561
EXPENSES	
Roof replacement gate	-
Roof replacement rec	-
Building paint rec	-
Building paint gate	-
Pavement resurfacing	-
Paver block replacement	-
Pool heater/pump	10,414
Pool marcite	3,285
Playground equipment	-
Activity courts	-
Storm damage	-
Contingency	<u>-</u>
TOTAL EXPENSES	<u>13,699</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u><u>\$ 19,862</u></u>