

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED
DECEMBER 31, 2007**

Open Items:

- Signed acknowledgement memo
- Signed management representation Letter

DRAFT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stoneybrook at Heritage
Harbour Community Association, Inc.
Bradenton, Florida

We have audited the accompanying balance sheet of Stoneybrook at Heritage Harbour Community Association, Inc. (the "Association") as of December 31, 2007 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.

Except as discussed in the following paragraph, 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.

Because we were unable to perform all necessary procedures for payroll, administration and landscaping expenses, we were unable to form an opinion regarding the amounts at which payroll, administrative and landscaping expenses are recorded in the accompanying statement of revenues and expenses at December 31, 2007 (stated at approximately \$334,000).

In our opinion, except for the effect of such adjustments, if any, as might had been determined to be necessary had we been able to perform all necessary procedures on payroll, administration and landscaping expenses, 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, 2007 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 A to the financial statements, there are delinquent assessments. The ultimate collectibility of these and other assessments receivable cannot presently be determined, but management is of the opinion that it will not have a material impact on the Association's financial position. Accordingly, no provision for any liability that may result, has been made in the financial statements

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 American Institute of Certified Public Accountants. 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 the 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. 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.

STROEMER & COMPANY, P.A.

Fort Myers, Florida

DATE

**STONEBROOK AT HERITAGE
 HARBOUR COMMUNITY ASSOCIATION, INC.
 BALANCE SHEET
 December 31, 2007**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 12,229	\$ 134,841	\$ 147,070
Assessments receivable	66,264	-	66,264
Due from operating fund	-	23,234	23,234
Prepaid insurance	18,237	-	18,237
Property and equipment, net	6,421	-	6,421
Deposits	26,381	-	26,381
TOTAL ASSETS	<u>\$ 129,532</u>	<u>\$ 158,075</u>	<u>\$ 287,607</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 69,233	\$ -	\$ 69,233
Due to Developer	19,482	-	19,482
Due to replacement fund	23,234	-	23,234
Prepaid assessments	23,296	-	23,296
TOTAL LIABILITIES	135,245	-	135,245
FUND BALANCES	<u>(5,713)</u>	<u>158,075</u>	<u>152,362</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 129,532</u>	<u>\$ 158,075</u>	<u>\$ 287,607</u>

The accompanying notes are an integral part of this statement.

**STONEBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
For the year ended December 31, 2007**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Assessments	\$ 607,102	\$ 47,284	\$ 654,386
Developer subsidy	390,032	-	390,032
Miscellaneous income	21,204	-	21,204
Gate remote income	2,790	-	2,790
Other income	1,110	-	1,110
Interest income	41	4,570	4,611
TOTAL REVENUES	<u>1,022,279</u>	<u>51,854</u>	<u>1,074,133</u>
EXPENSES			
Ground maintenance	258,078	-	258,078
Administrative	249,059	-	249,059
Utility	184,453	-	184,453
Recreation	180,968	-	180,968
Gate house	142,395	-	142,395
Miscellaneous	7,326	-	7,326
TOTAL EXPENSES	<u>1,022,279</u>	<u>-</u>	<u>1,022,279</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE OTHER EXPENSES	<u>-</u>	<u>51,854</u>	<u>51,854</u>
OTHER EXPENSES			
Depreciation expense	1,893	-	1,893
TOTAL OTHER EXPENSES	<u>1,893</u>	<u>-</u>	<u>1,893</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ (1,893)</u>	<u>\$ 51,854</u>	<u>\$ 49,961</u>

The accompanying notes are an integral part of this statement.

**STONEYBROOK AT HERITAGE
 HARBOUR COMMUNITY ASSOCIATION, INC.
 STATEMENT OF CHANGES IN FUND BALANCES
 For the year ended December 31, 2007**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances, January 1, 2007	\$ (3,820)	\$ 106,221	\$ 102,401
Excess of revenues over (under) expenses	<u>(1,893)</u>	<u>51,854</u>	<u>49,961</u>
Balances, December 31, 2007	<u>\$ (5,713)</u>	<u>\$ 158,075</u>	<u>\$ 152,362</u>



The accompanying notes are an integral part of this statement.

**STONEYBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2007**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash collected from assessments	\$ 569,652	\$ 47,284	\$ 616,936
Cash collected from Developer	398,235	-	398,235
Cash paid to suppliers	(992,969)	-	(992,969)
Other income	21,204	-	21,204
Gate remote income	2,790	-	2,790
Other income	1,110	-	1,110
Interest income	41	4,570	4,611
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	63	51,854	51,917
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid	(8,525)	-	(8,525)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(8,525)	-	(8,525)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfer	18,914	(18,914)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	18,914	(18,914)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,452	32,940	43,392
Cash and cash equivalents, January 1, 2007	1,777	101,901	103,678
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2007	\$ 12,229	\$ 134,841	\$ 147,070

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	\$ (1,893)	\$ 51,854	\$ 49,961
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:			
Depreciation expense	1,893	-	1,893
Increase in assessments receivable	(52,371)	-	(52,371)
Decrease in prepaid expenses	490	-	490
Increase in prepaid insurance	(14,988)	-	(14,988)
Increase in accounts payable	46,479	-	46,479
Decrease in payroll accrual	(2,671)	-	(2,671)
Increase in due to Developer	8,203	-	8,203
Increase in prepaid assessments	<u>14,921</u>	<u>-</u>	<u>14,921</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 63</u>	<u>\$ 51,854</u>	<u>\$ 51,917</u>

**STONEYBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007**

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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 the laws of Florida as a not-for-profit organization. The Declaration of Covenants, Conditions and Restrictions was filed in the official records of Manatee County, Florida on January 22, 2002. The Association's operations began in March, 2002. The Association is responsible for the operation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapters 617 and 720, and the provisions of the Declaration of Covenants, Conditions and Restrictions. The Association consists of 1,680 units of which approximately 944 were closed as of December 31, 2007. The Association's operations began in January, 2003.

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 Common Interest Realty Association Industry Audit Guide promulgated by the American Institute of Certified Public Accountants.

Assessments receivable

Unit owners are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The income and expenses of the Association are allocated to unit owners based on the number of units. 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 unit owners whose assessments are thirty days or more delinquent.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Assessments receivable, continued

As of December 31, 2007, the Association had delinquent assessments of \$66,264. It is the opinion of the Board of Directors that the Association will ultimately prevail against unit owners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. As of December 31, 2007, there were no liens on outstanding assessments receivable.

Prepaid assessments

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

Concentration of credit risk

The Association maintains its cash accounts at a financial institution 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, 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.

Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Property and equipment

The Association follows prevalent industry practice, as contained in the AICPA *Audit and Accounting Guide, "Common Interest Realty Associations,"* 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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment, continued

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, gatehouses 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.

Initial capital contribution

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.

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 members and other income received from Association members 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, 2007 using the 1120H method of tax filing.

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 prorata basis based on the related balances of each reserve component.

**STONEYBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Statement of cash flows

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.

NOTE B - PROPERTY AND EQUIPMENT, NET

As of December 31, 2007, property and equipment consisted of the following:

	<u>Amount</u>
Computer	\$ 2,254
Furniture and equipment	4,519
Pool equipment	<u>5,361</u>
	12,134
Less. accumulated depreciation	<u>(5,713)</u>
	<u>\$ 6,421</u>

Depreciation expense for the year ended December 31, 2007 was \$1,893.

NOTE C - DUE TO DEVELOPER

In accordance with the provisions of the Declaration of Covenants, Conditions, and Restrictions for Stoneybrook at Heritage Harbour, Section 9 2:

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 from November 8, 2004 (date of inception) through December 31, 2007 is \$378,753, which is comprised of

**STONEBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007**

NOTE C - DUE TO DEVELOPER, CONTINUED

\$390,032 due for the year ended December 31, 2007 and (\$11,279) due to Developer balance as of December 31, 2006. As of December 31, 2007, the Developer had made payments to the Association in the amount of \$398,235 leaving a due to the Developer of \$19,482.

This is comprised of the following items:

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Common expenses (other than reserves)	\$ 1,022,279	\$ -	\$ 1,022,279
Budgeted reserves	-	47,284	47,284
Association revenue from all sources other than the Developer	<u>(632,247)</u>	<u>(47,284)</u>	<u>(679,531)</u>
Developer's subsidy obligation	390,032	-	390,032
Due to Developer as of December 31, 2006	(11,279)	-	(11,279)
Payments made by the Developer	<u>(398,235)</u>	<u>-</u>	<u>(398,235)</u>
Due to Developer	<u>\$ (19,482)</u>	<u>\$ -</u>	<u>\$ (19,482)</u>

NOTE D - REPLACEMENT FUND

The Association's governing documents 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.

**STONEBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007**

NOTE D - REPLACEMENT FUND, CONTINUED

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 - gatehouses	\$ 2,223	\$ 1,037	\$ -	\$ 3,260
Roof - recreation	4,447	2,074	-	6,521
Painting - gatehouses	3,335	1,556	-	4,891
Painting - recreation	5,055	4,667	-	9,722
Paving	42,245	19,705	-	61,950
Pavers brick	2,223	1,037	-	3,260
Pool heaters	5,559	2,593	-	8,152
Pool marcite	8,894	4,148	-	13,042
Playground equipment	7,782	3,630	-	11,412
Activity courts	14,452	6,741	-	21,193
Storm damage	7,782	3,630	-	11,412
Contingency	2,224	1,036	-	3,260
	\$ 106,221	\$ 51,854	\$ -	\$ 158,075

NOTE E - TRANSACTIONS WITH AFFILIATE

The Developer provides irrigation services to the Association through an affiliate. Expenses related to these services were approximately \$98,889 in 2007. As of December 31, 2007, the Association owed approximately \$19,867 to the affiliate. This amount is included in the accounts payable amount on the balance sheet.

SUPPLEMENTARY INFORMATION

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**STONEBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND
REPLACEMENTS (UNAUDITED)
For the year ended December 31, 2007**

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:

<u>Component</u>	<u>Estimated Useful Life</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance at December 31, 2007</u>
Roof - gatehouses	15 years	9 years	\$ 20,000	\$ 3,260
Roof - recreation	15 years	10 years	45,000	6,521
Painting - gatehouses	5 years	0 years	13,000	4,891
Painting - recreation	5 years	0 years	25,000	9,722
Paving	15 years	15 years	233,000	61,950
Paver brick	10 years	4 years	15,000	3,260
Pool heaters	5 years	4-0 years	50,000	8,152
Pool marcite	5 years	0 years	40,000	13,042
Playground equipment	10 years	5 years	50,000	11,412
Activity courts	4 years	0 years	26,000	21,193
Strom damage	1 year	0 years	5,000	11,412
Contingency	10 years	4 years	10,000	3,260
			<u>\$ 532,000</u>	<u>\$ 158,075</u>

**STONEBROOK AT HERITAGE
 HARBOUR COMMUNITY ASSOCIATION, INC.
 STATEMENT OF REVENUES AND
 EXPENSES - OPERATING FUND (UNAUDITED)
 For the year ended December 31, 2007**

The following represents revenues and expenses for the operating fund as of December 31, 2007.

	<u>Amount</u>
REVENUES	
Assessments	\$ 607,102
Developer subsidy	390,032
Miscellaneous income	21,204
Gate remote income	2,790
Other income	1,110
Interest income	<u>41</u>
Total Revenues	1,022,279
EXPENSES	
GROUND MAINTENANCE	
Lawn service	95,962
Maintenance labor	39,634
Irrigation labor	27,949
Preserve maintenance	25,782
Annuals planted	23,529
Mulch	18,097
Trees and shrubs	16,503
General maintenance	5,914
Irrigation parts	4,328
Equipment rental	357
Entrances	<u>23</u>
Total grounds maintenance	258,078
ADMINISTRATIVE	
Management fees	67,007
Office expense	52,724
Insurance	41,922
Manager salary	33,815
Legal	28,869
Postage	10,243
Tax preparation	9,944
Copier lease	4,410
Contingency	64
Annual filing fee	<u>61</u>
Total administrative	249,059

**STONEBROOK AT HERITAGE
 HARBOUR COMMUNITY ASSOCIATION, INC.
 STATEMENT OF REVENUES AND
 EXPENSES - OPERATING FUND (UNAUDITED), CONTINUED
 For the year ended December 31, 2007**

The following represents revenues and expenses for the operating fund as of December 31, 2007.

	<u>Amount</u>
EXPENSES, CONTINUED	
UTILITY	
Irrigation water	98,889
Electric	78,999
Water/sewer	6,500
Trash removal	65
	<hr/>
Total utility	184,453
RECREATION	
Attendant	63,753
Janitorial	20,835
General repairs	17,908
Pool equipment repair	14,681
Fitness classes	15,409
Pool cleaning	13,207
Pool gas	7,156
Equipment maintenance	6,094
Cable	5,380
Telephone	4,513
Activities director	3,862
Supplies	2,218
Internet	1,793
Decorations	1,290
Pest control	1,292
Alarm	1,051
Member function	326
Pool licenses and permits	200
	<hr/>
Total recreation	180,968
GATEHOUSE	
Attendant	125,138
Repairs and maintenance	9,382
Remote and cards	6,780
Telephone	1,095
	<hr/>
Total gate house	142,395

**STONEYBROOK AT HERITAGE
HARBOUR COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND
EXPENSES - OPERATING FUND (UNAUDITED), CONTINUED
For the year ended December 31, 2007**

The following represents revenues and expenses for the operating fund as of December 31, 2007.

	<u>Amount</u>
EXPENSES, CONTINUED	
MISCELLANEOUS	
Lake maintenance	7,326
Total miscellaneous	<u>7,326</u>
TOTAL EXPENSES	<u>1,022,279</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER EXPENSES	<u>-</u>
OTHER EXPENSES	
Depreciation expense	1,893
TOTAL OTHER EXPENSES	<u>1,893</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ (1,893)</u>

**STONEBROOK AT HERITAGE
 HARBOUR COMMUNITY ASSOCIATION, INC.
 STATEMENT OF REVENUES AND
 EXPENSES - REPLACEMENT FUND (UNAUDITED)
 For the year ended December 31, 2007**

The following represents revenues and expenses for the replacement fund for December 31, 2007.

	<u>Amount</u>
REVENUES	
Assessments	\$ 47,284
Interest income	<u>4,570</u>
TOTAL REVENUES	<u>51,854</u>
EXPENSES	
Roof - gatehouses	-
Roof - recreation	-
Painting - gatehouses	-
Painting - recreation	-
Paving	-
Pavers brick	-
Pool heaters	-
Pool marcite	-
Playground equipment	-
Activity courts	-
Storm damage	-
Contingency	-
TOTAL EXPENSES	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 51,854</u>



S T R O E M E R
& C O M P A N Y, P A

CERTIFIED PUBLIC ACCOUNTANTS / CONSULTANTS

Integrity.....Knowledge.....Service.....Commitment

ACKNOWLEDGEMENT MEMORANDUM

DATE: **October 2, 2008**

TO: **Robin Fischer**

SUBJECT: **Review of financial statement draft of
Stoneybrook at Heritage Harbour Community Assoc., Inc.**

This is a memo of acknowledgement. Auditors are required to maintain their independence in fact and appearance as well as to maintain a high degree of integrity. As such, auditors cannot perform management functions or make management decisions and cannot audit their own work or provide non-audit services in situations where the amounts or services involved are significant to the subject matter of the compilation. Therefore, management of the organization must recognize that they are responsible for the financial statements and its representations.

We have included a copy of the trial balance grouping schedule, proposed compilation adjustments and a draft of the financial statements for your compilation.

Signature below confirms to management that you have read the financial statements, understand and agree with the content, and approve the proposed compilation adjustments.

Signature

Date

**Stoneybrook at Heritage Harbour Comm.
Grouping Schedule Report
Leads**

	Workpaper	Unadjusted Dec 31, 2007	Adjusting AJE	Adjusted Balance Dec 31, 2007
2000 Cash-Operating Fund				
1040 - Petty Cash	NM	300 00		300 00
1050 - TIB Bank Operating	101 I	11,929.03		11,929.03
Cash-Operating Fund Total		<u>12,229.03</u>	<u>0.00</u>	<u>12,229.03</u>
2050 Cash-Replacement fund				
1060 - TIB Inc Reserves	102 I	134,841.46		134,841.46
Cash-Replacement fund Total		<u>134,841.46</u>	<u>0.00</u>	<u>134,841.46</u>
2100 Accounts Receivable				
1200 - A/R Maintenance Fees	111	66,264.11		66,264.11
Accounts Receivable Total		<u>66,264.11</u>	<u>0.00</u>	<u>66,264.11</u>
2300 Due from Rep/oper				
1360 - Due From Operating		23,235 61		23,233 61
11 Adjust due to/from oper/repl			(2.00)	
Due from Rep/oper Total		<u>23,235.61</u>	<u>(2.00)</u>	<u>23,233.61</u>
2700 Prepaid expenses				
1475 - Prepaid Insurance	141	9,229 21		18,237 32
6 To adjust prepaid insurance			9,008.11	
Prepaid expenses Total		<u>9,229.21</u>	<u>9,008.11</u>	<u>18,237.32</u>
2800 Deposits				
1800 - FP&L Deposits		0 00		26,381 00
11 Reclass FPL deposits			26,381 00	
1850 - Security Deposits	150 I	13,256 00		0 00
11 Reclass FPL deposits			(13,256.00)	
Deposits Total		<u>13,256.00</u>	<u>13,125.00</u>	<u>26,381.00</u>
Current Assets Total		<u>259,055.42</u>	<u>22,131.11</u>	<u>281,186.53</u>
2900 Property and equipment-ne				
1500 - Fixed assets	251	12,134 49		12,134 49
1510 - Accumulated Depreciation	251	(1,653 60)		(5,713 88)
1 To adjust depreciation to actual			(377 43)	
7 To record prior years depreciation			(3,682.85)	
Property and equipment-ne Total		<u>10,480.89</u>	<u>(4,060.28)</u>	<u>6,420.61</u>
Net Property and Equipment Total		<u>10,480.89</u>	<u>(4,060.28)</u>	<u>6,420.61</u>
Assets Total		<u>269,536.31</u>	<u>18,070.83</u>	<u>287,607.14</u>
4000 Accounts Payable				
4030 - Accounts Payable	400 I	0 00		(69,233 03)
8 Record accts payable after search per mgmt			(69,233.03)	
Accounts Payable Total		<u>0.00</u>	<u>(69,233.03)</u>	<u>(69,233.03)</u>
4300 Due to Oper/res				
4080 - Due to Replacement Fund		(23,235 61)		(23,233 61)
11 Adjust due to/from oper/repl			2.00	
Due to Oper/res Total		<u>(23,235.61)</u>	<u>2.00</u>	<u>(23,233.61)</u>
4400 Unearned Maintenance Fees				
4100 - Prepaid maintenance fees	440 I	(23,296.14)		(23,296.14)

Stoneybrook at Heritage Harbour Comm.
Grouping Schedule Report
Leads

	Workpaper	Unadjusted Dec 31, 2007	Adjusting AJE	Adjusted Balance Dec 31, 2007
Unearned Maintenance Fees Total		(23,296.14)	0.00	(23,296.14)
4500 Due to US Home Corporatio				
4160 - Developer Loan - Harbourvest,		(800,637.73)		(19,482.40)
5 To record 2006 adjustments			800,637.73	
5 To record 2006 adjustments			(11,278.94)	
9 Reclass developer subsidy payments			(398,235.46)	
10 Record developer guarantee			390,032.00	
Due to US Home Corporatio Total		(800,637.73)	781,155.33	(19,482.40)
5000 Operating Fund Balance				
5980 - Retained Earnings		788,586.22		3,820.36
4 To reverse prior mgmt co entries			2,463.93	
5 To record 2006 adjustments			(800,637.73)	
5 To record 2006 adjustments			11,278.94	
7 To record prior years depreciation			2,129.00	
Operating Fund Balance Total		788,586.22	(784,765.86)	3,820.36
5500 Replacement Fund balance				
5510 - Reserve-Painting	500 1	(12,318.58)		(6,269.54)
2 To back out reserve activity			6,049.04	
5515 - Reserve-Pavement		(61,494.68)		(47,381.42)
2 To back out reserve activity			14,113.26	
5520 - Reserve-Roof	500 1	(8,364.72)		(5,879.16)
2 To back out reserve activity			2,485.56	
5530 - Reserve-Playground	500 1	(10,492.62)		(7,319.02)
2 To back out reserve activity			3,173.60	
5540 - Reserve - Activity Courts	500 1	(16,702.01)		(11,041.54)
2 To back out reserve activity			5,660.47	
5545 - Reserve - Pool	500 1	(26,427.78)		(16,346.88)
2 To back out reserve activity			10,080.90	
5550 - Reserve - Paverblock	500 1	(3,568.14)		(2,768.03)
2 To back out reserve activity			800.11	
5555 - Reserve - Contingency	500 1	(3,034.72)		(2,193.90)
2 To back out reserve activity			665.72	
3 To reclassify reserve funds			175.10	
5560 - Reserve - Storm Damage	500 1	(9,802.44)		(7,022.16)
2 To back out reserve activity			2,780.28	
5570 - Reserve - interest	500 1	(5,871.38)		0.00
2 To back out reserve activity			4,571.48	
3 To reclassify reserve funds			1,299.90	
Replacement Fund balance Total		(158,077.07)	51,855.42	(106,221.65)
Current Liabilities Total		(216,660.33)	(20,986.14)	(237,646.47)
Liabilities/Equity Total		(216,660.33)	(20,986.14)	(237,646.47)
6000 Regular assessments				
6000 - Maintenance fees-operating	600 1	(653,591.04)		(607,102.10)
3 To reclassify reserve funds			45,808.94	
4 To reverse prior mgmt co entries			680.00	
Regular assessments Total		(653,591.04)	46,488.94	(607,102.10)
6005 Regular assessments				
6010 - Maintenance fees-replacement	600 1	0.00		(47,283.94)
3 To reclassify reserve funds			(45,808.94)	
3 To reclassify reserve funds			(1,475.00)	
Regular assessments Total		0.00	(47,283.94)	(47,283.94)
6010 Developer guarantee				

**Stoneybrook at Heritage Harbour Comm.
Grouping Schedule Report
Leads**

	Workpaper	Unadjusted Dec 31, 2007	Adjusting AJE	Adjusted Balance Dec 31, 2007
6020 - Developer guarantee-operating	130 1	(398,235.46)		(390,032.00)
9 Reclass developer subsidy payments			398,235.46	
10 Record developer guarantee			(390,032.00)	
Developer guarantee Total		<u>(398,235.46)</u>	<u>8,203.46</u>	<u>(390,032.00)</u>
6020 Interest Income				
6030 - Interest income-operating	610 1	(41.48)		(41.48)
6035 - Interest Income - Reserves	610 2	(4,570.49)		(4,570.49)
Interest Income Total		<u>(4,611.97)</u>	<u>0.00</u>	<u>(4,611.97)</u>
6025 Other Income				
6080 - Other income		(21,203.50)		(21,203.50)
Other Income Total		<u>(21,203.50)</u>	<u>0.00</u>	<u>(21,203.50)</u>
6026 Gate income				
6021 - Gate Card/Remote Income		(2,790.00)		(2,790.00)
Gate income Total		<u>(2,790.00)</u>	<u>0.00</u>	<u>(2,790.00)</u>
6030 Rental Income				
6050 - Rental income		(1,110.00)		(1,110.00)
Rental Income Total		<u>(1,110.00)</u>	<u>0.00</u>	<u>(1,110.00)</u>
Sales Total		<u>(1,081,541.97)</u>	<u>7,408.46</u>	<u>(1,074,133.51)</u>
Revenue Total		<u>(1,081,541.97)</u>	<u>7,408.46</u>	<u>(1,074,133.51)</u>
7000 Administrative Expenses				
7001 - Copy/Fax Lease		4,410.23		4,410.23
7005 - Annual Filing Fee		61.25		61.25
7010 - Manager Salary		33,815.26		33,815.26
7025 - Insurance		50,930.53		41,922.42
6 To adjust prepaid insurance			(9,008.11)	
7030 - Legal		25,768.05		28,868.70
8 Record accts payable after search per mgmt			2,524.50	
8 Record accts payable after search per mgmt			576.15	
7040 - Office Expense		52,724.35		52,724.35
7043 - Postage		3,890.91		10,243.43
8 Record accts payable after search per mgmt			6,352.52	
7050 - Management Fees		61,482.66		67,006.85
8 Record accts payable after search per mgmt			5,524.19	
7070 - Tax Preparation & Filing		9,943.88		9,943.88
7075 - Uncollectible Bad Debts		680.00		0.00
4 To reverse prior mgmt co entries			(680.00)	
7100 - Contingency		63.94		63.94
Administrative Expenses Total		<u>243,771.06</u>	<u>5,289.25</u>	<u>249,060.31</u>
7200 Ground Maintenance				
7051 - General maintenance		5,913.81		5,913.81
7205 - Annuals Planted		23,528.70		23,528.70
7214 - Entrances		23.10		23.10
7215 - Equipment Rental		357.38		357.38
7236 - Irrigation - Labor		27,949.15		27,949.15
7237 - Irrigation - Parts		4,328.18		4,328.18
7239 - Lawn Service		95,962.07		95,962.07
7250 - Maintenance-Labor		36,630.40		39,633.91
8 Record accts payable after search per mgmt			2,728.28	
8 Record accts payable after search per mgmt			275.23	
7265 - Mulch		18,096.75		18,096.75
7273 - Preserve Maintenance		25,782.00		25,782.00

Stoneybrook at Heritage Harbour Comm.
Grouping Schedule Report
Leads

	Workpaper	Unadjusted Dec 31, 2007	Adjusting AJE	Adjusted Balance Dec 31, 2007
7275 - Trees/Schrubs		16,502.73		16,502.73
Ground Maintenance Total		<u>255,074.27</u>	<u>3,003.51</u>	<u>258,077.78</u>
7250 Gate House expenses				
7700 - Gate Attendant		108,267.97		125,138.05
8 Record accts payable after search per mgmt			4,727.81	
8 Record accts payable after search per mgmt			2,685.94	
8 Record accts payable after search per mgmt			4,701.03	
8 Record accts payable after search per mgmt			4,755.30	
7701 - Gate Repair		7,032.38		7,032.38
7702 - Gate House Telephone		1,094.75		1,094.75
7720 - Gate remote/gate cards		6,779.91		6,779.91
7721 - Gate House - Repairs/Maintena		2,349.85		2,349.85
Gate House expenses Total		<u>125,524.86</u>	<u>16,870.08</u>	<u>142,394.94</u>
7300 Lake Expense				
7300 - Lake Maintenance		7,326.12		7,326.12
Lake Expense Total		<u>7,326.12</u>	<u>0.00</u>	<u>7,326.12</u>
7500 Utility Expense				
7500 - Electric		81,540.95		78,998.60
8 Record accts payable after search per mgmt			2,973.03	
8 Record accts payable after search per mgmt			7,609.62	
11 Reclass FPL deposits			(13,125.00)	
7520 - Irrigation Water		79,022.36		98,889.00
8 Record accts payable after search per mgmt			19,866.64	
7522 - Trash Removal		65.00		65.00
7525 - Water/Sewer		6,499.82		6,499.82
Utility Expense Total		<u>167,128.13</u>	<u>17,324.29</u>	<u>184,452.42</u>
7600 Recreation Expense				
7046 - Cable for Center/internet acce		5,379.92		5,379.92
7110 - Decorations		1,290.11		1,290.11
7601 - Alarm		1,051.10		1,051.10
7602 - Cleaning / Janitorial		18,737.42		20,834.90
8 Record accts payable after search per mgmt			1,353.92	
8 Record accts payable after search per mgmt			743.56	
7603 - Maintenance/repairs - Equip		6,094.02		6,094.02
7604 - F & R Suuplies and Decorations		2,217.88		2,217.88
7605 - Fitness Classes		15,409.25		15,409.25
7607 - General Repairs		18,818.22		17,908.14
4 To reverse prior mgmt co entries			(2,463.93)	
7 To record prior years depreciation			1,553.85	
7608 - Internet Access		1,792.56		1,792.56
7610 - Pool - gas		5,856.80		7,156.11
8 Record accts payable after search per mgmt			1,299.31	
7615 - Pool-Cleaning		12,670.76		13,206.76
8 Record accts payable after search per mgmt			536.00	
7620 - Pool-Equipment Repair		14,680.87		14,680.87
7630 - Pool-Licenses & Permits		200.00		200.00
7631 - Payroll - Fitness Director		63,752.89		63,752.89
7632 - Payroll - Activities		3,861.94		3,861.94
7633 - Pest Control		1,292.09		1,292.09
7634 - Telephone Expense		4,513.08		4,513.08
7650 - Recreation-Member Function		326.42		326.42
Recreation Expense Total		<u>177,945.33</u>	<u>3,022.71</u>	<u>180,968.04</u>
8900 Depreciation Expense				
7012 - Depreciation Expense	251	1,515.80		1,893.23
1 To adjust depreciation to actual			377.43	
Depreciation Expense Total		<u>1,515.80</u>	<u>377.43</u>	<u>1,893.23</u>

**Stoneybrook at Heritage Harbour Comm.
Grouping Schedule Report
Leads**

	<u>Workpaper</u>	<u>Unadjusted Dec 31, 2007</u>	<u>Adjusting AJE</u>	<u>Adjusted Balance Dec 31, 2007</u>
Operating Expenses Total		978,285.57	45,887.27	1,024,172.84
9000 Reserve Funding				
9000 - Reserve expense		50,380.42		0.00
2 To back out reserve activity			(50,380.42)	
Reserve Funding Total		50,380.42	(50,380.42)	0.00
Other Expenses Total		50,380.42	(50,380.42)	0.00
Expense Total		1,028,665.99	(4,493.15)	1,024,172.84
Leads Total		0.00	(2,915.31)	0.00
(Profit)/Loss		(52,875.98)	2,915.31	(49,960.67)

**Stoneybrook at Heritage Harbour Comm.
Grouping Schedule Report
Unassigned Accounts**

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All accounts have been assigned.

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**Stoneybrook at Heritage Harbour Comm.
Adjusting Journal Entries**

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	12/31/07					
		7012	Depreciation Expense	377 43			
		1510	Accumulated Depreciation		377 43		
			To adjust depreciation to actual			(377 43)	251
2	Adjusting	12/31/07					
		9000	Reserve expense		50,380 42		
		5510	Reserve-Painting	6,049 04			
		5520	Reserve-Roof	2,485 56			
		5515	Reserve-Pavement	14,113 26			
		5550	Reserve - Paverblock	800 11			
		5530	Reserve-Playground	3,173 60			
		5540	Reserve - Activity Courts	5,660 47			
		5545	Reserve - Pool	10,080 90			
		5560	Reserve - Storm Damage	2,780 28			
		5570	Reserve - interest	4,571 48			
		5555	Reserve - Contingency	665 72			
			To back out reserve activity			50,380 42	GL
3	Adjusting	12/31/07					
		6000	Maintenance fees-operating	45,808 94			
		6010	Maintenance fees-replacement		45,808 94		
		6010	Maintenance fees-replacement		1,475 00		
		5570	Reserve - interest	1,299 90			
		5555	Reserve - Contingency	175 10			
			To reclassify reserve funds			1,475 00	
4	Adjusting	12/31/07					
		6000	Maintenance fees-operating	680 00			
		7075	Uncollectible Bad Debts		680 00		
		5980	Retained Earnings	2,463 93			
		7607	General Repairs		2,463 93		
			To reverse prior mgmt co. entries			2,463 93	
5	Adjusting	12/31/07					
		4160	Developer Loan - Harbourvest.	800,637 73			
		5980	Retained Earnings		800,637 73		
		5980	Retained Earnings	11,278 94			
		4160	Developer Loan - Harbourvest,		11,278 94		
			To record 2006 adjustments			0 00	

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
6	Adjusting	12/31/07					
		1475	Prepaid Insurance	9,008 11			
		7025	Insurance		9,008 11		
			To adjust prepaid insurance			9,008 11	141
7	Adjusting	12/31/07					
		5980	Retained Earnings	2,129 00			
		1510	Accumulated Depreciation		3,682 85		
		7607	General Repairs	1,553 85			
			To record prior years depreciation			(1,553 85)	
8	Adjusting	12/31/07					
		7500	Electric	2,973 03			
		7700	Gate Attendant	4,727 81			
		7500	Electric	7,609 62			
		7700	Gate Attendant	2,685 94			
		7602	Cleaning / Janitorial	1,353 92			
		7610	Pool - gas	1,299 31			
		7615	Pool-Cleaning	536 00			
		7050	Management Fees	5,524 19			
		7602	Cleaning / Janitorial	743 56			
		7030	Legal	2,524 50			
		7043	Postage	6,352 52			
		7250	Maintenance-Labor	2,728 28			
		7700	Gate Attendant	4,701 03			
		7250	Maintenance-Labor	275 23			
		7520	Irrigation Water	19,866 64			
		7030	Legal	576 15			
		7700	Gate Attendant	4,755 30			
		4030	Accounts Payable		69,233 03		
			Record accts payable after search per mgmt			(69,233 03)	
9	Adjusting	12/31/07					
		6020	Developer guarantee-operating	398,235 46			
		4160	Developer Loan - Harbourvest,		398,235 46		
			Reclass developer subsidy payments			(398,235 46)	
10	Adjusting	12/31/07					
		4160	Developer Loan - Harbourvest,	390,032 00			
		6020	Developer guarantee-operating		390,032 00		
						390,032 00	

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Stoneybrook at Heritage Harbour Comm.
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
			Record developer guarantee				
11	Adjusting	12/31/07					
		4080	Due to Replacement Fund	2 00			
		1360	Due From Operating		2 00		
						0 00	
			Adjust due to/from oper/repl				
11	Adjusting	12/31/07					
		1800	FP&L Deposits	26,381 00			
		1850	Security Deposits		13,256 00		
		7500	Electric		13,125 00		
						13,125 00	
			Reclass FPL deposits				
		TOTAL		<u>1,809,676.84</u>	<u>1,809,676.84</u>	<u>(2,915.31)</u>	