

**PHEASANT WALK**  
**HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2005**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Pheasant Walk Homeowners Association, Inc.  
Boca Raton, Florida

We have audited the accompanying balance sheet of Pheasant Walk Homeowners Association, Inc. as of December 31, 2005 and the related statements of revenue, expenses and 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 Pheasant Walk Homeowners Association, Inc. as of December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements but is required by the American Institute of Certified Public Accountants. The Association has not presented this supplementary information. In addition, the Schedule of Operating Fund Revenue and Expenses – Budget and Actual, is also presented only for supplementary analysis purposes. We have applied certain limited procedures, 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 the supplementary information.

  
AUBREY BOURGEOIS, C.P.A., P.A.  
August 24, 2006

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**BALANCE SHEET**  
**December 31, 2005**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents (Note 2 (6))	\$ 249,011	\$ - 0 -	\$ 249,011
Assessments Receivable (Note 2 (2))	4,863	- 0 -	4,863
Prepaid Insurance	11,044	- 0 -	11,044
	\$ 264,918	\$ - 0 -	\$ 264,918
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 6,554	\$ - 0 -	\$ 6,554
Accrued Income Taxes (Note 3)	- 0 -	- 0 -	- 0 -
Deferred Cable Assessments (Note 4)	119,385	- 0 -	119,385
Prepaid Assessments (Note 2 (2))	81,887	- 0 -	81,887
	207,826	- 0 -	207,826
 <b><u>FUND BALANCE</u></b>			
Operating Surplus	57,092	- 0 -	57,092
	57,092	- 0 -	57,092
	\$ 264,918	\$ - 0 -	\$ 264,918

"See Accompanying Notes To Financial Statements"

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b><u>REVENUE</u></b>			
Maintenance Assessments	\$ 287,000	\$ - 0 -	\$ 287,000
Cable Assessments	214,741	- 0 -	214,741
Interest Income	1,767	- 0 -	1,767
Other Income	3,895	- 0 -	3,895
	<u>507,403</u>	<u>- 0 -</u>	<u>507,403</u>
<b><u>EXPENSES</u></b>			
Accounting Fees	1,400	- 0 -	1,400
Cable	194,304	- 0 -	194,304
Electricity	25,955	- 0 -	25,955
Insurance	16,300	- 0 -	16,300
Irrigation	5,398	- 0 -	5,398
Lake & Dock Maintenance	1,650	- 0 -	1,650
Landscape Improvements	16,043	- 0 -	16,043
Licenses & Fees	61	- 0 -	61
Lawn Services	40,350	- 0 -	40,350
Management Fees	34,800	- 0 -	34,800
Miscellaneous	5,953	- 0 -	5,953
Newsletter	3,126	- 0 -	3,126
Office Supplies & Expenses	5,423	- 0 -	5,423
Playground Maintenance	1,100	- 0 -	1,100
Printing & Postage	3,046	- 0 -	3,046
Professional Fees	2,092	- 0 -	2,092
Security	108,829	- 0 -	108,829
Street Signs	1,094	- 0 -	1,094
Tree Trimming	28,515	- 0 -	28,515
	<u>495,439</u>	<u>- 0 -</u>	<u>495,439</u>
Excess of Revenue over Expenses	11,964	- 0 -	11,964
Fund Balances - Beginning of Year (restated)	20,628	- 0 -	20,628
Special Assessment / Prior Period Adjustment	24,500	- 0 -	24,500
Fund Balances - End of Year	<u>\$ 57,092</u>	<u>\$ - 0 -</u>	<u>\$ 57,092</u>

"See Accompanying Notes To Financial Statements"

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Maintenance Assessments	\$ 302,697	\$ - 0 -	\$ 302,697
Cable Assessments	235,755	- 0 -	235,755
Interest Income	1,767	- 0 -	1,767
Other Income	3,895	- 0 -	3,895
Operating Fund Expenditures	<u>(498,105)</u>	<u>- 0 -</u>	<u>(498,105)</u>
Net Cash Provided by Operating Activities	<u>46,009</u>	<u>- 0 -</u>	<u>46,009</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Funds Received From Special Assessment	24,500	- 0 -	24,500
	<u>24,500</u>	<u>- 0 -</u>	<u>24,500</u>
Net Increase (Decrease) in Cash and Cash Equivalents	70,509	- 0 -	70,509
Cash and Cash Equivalents - Beginning of Year	<u>178,502</u>	<u>- 0 -</u>	<u>178,502</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 249,011</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 249,011</u></u>

"See Accompanying Notes To Financial Statements"

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Reconciliation of Excess of Revenue over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Excess of Revenue over Expenses	\$ 11,964	\$ - 0 -	\$ 11,964
Adjustments to Reconcile Excess of Revenue over Expenses to Net Cash Provided by (Used in) Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	416	- 0 -	416
Prepaid Insurance	(2,034)	- 0 -	(2,034)
Increase (Decrease) in:			
Accounts Payable	(632)	- 0 -	(632)
Deferred Cable Income	21,014	- 0 -	21,014
Prepaid Assessments	15,281	- 0 -	15,281
Net Cash Provided by (Used in) Operating Activities	\$ 46,009	\$ - 0 -	\$ 46,009
Supplementary disclosure of cash activities:			
Cash paid for:			
Income taxes	\$ - 0 -	\$ - 0 -	\$ - 0 -

"See Accompanying Notes To Financial Statements"

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Reconciliation of Excess of Revenue over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Excess of Revenue over Expenses	\$ 11,964	\$ - 0 -	\$ 11,964
Adjustments to Reconcile Excess of Revenue over Expenses to Net Cash Provided by (Used in) Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	416	- 0 -	416
Prepaid Insurance	(2,034)	- 0 -	(2,034)
Increase (Decrease) in:			
Accounts Payable	(632)	- 0 -	(632)
Deferred Cable Income	21,014	- 0 -	21,014
Prepaid Assessments	15,281	- 0 -	15,281
Net Cash Provided by (Used in) Operating Activities	\$ 46,009	\$ - 0 -	\$ 46,009
Supplementary disclosure of cash activities:			
Cash paid for:			
Income taxes	\$ - 0 -	\$ - 0 -	\$ - 0 -

"See Accompanying Notes To Financial Statements"

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 – NATURE OF ORGANIZATION**

Pheasant Walk Homeowners Association, Inc. was incorporated in 1976 under the laws of the State of Florida. The Association was formed to maintain and preserve the common areas of a 700 residential unit community located in Boca Raton, Florida.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(1) Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts 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.

**(2) Member Assessments**

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable, \$4,863, represent fees due from unit owners at December 31, 2005.

Prepaid assessments, \$81,887, represent amounts paid in advance by owners at December 31, 2005 for 2006.

**(3) Recognition of Assets and Depreciation Policy**

Real and Personal common property acquired by the developer for the homeowners is not recognized on the Association's financial statements because it is commonly owned by each individual based on their undivided interest in the common area as prescribed in the Association documents and its dispositions by the Association documents and its disposition by the Association's board of directors is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

**(4) Revenue Recognition**

Member assessments are billed monthly and are recognized as revenue on a pro rata basis over the period covered by the billing. Member assessments are based upon estimates of amounts necessary to maintain the common property of the Association. Income and expenses are allocated to the unit owners based on the ownership percentage provided for in the condominium documents for each unit type. Common area costs benefiting the entire Association are divided by the pro rate share of each unit based on the allocation formula disclosed in the Association's documents.

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**(5) Interest Income**

The Board of Directors' policy is to allocate to the operating fund the interest earned on its respective cash accounts.

**(6) Cash and Cash Equivalents**

For purposes of the December 31, 2005 balance sheet and statement of cash flows for the year ended December 31, 2005, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

**(7) Fair Value of Financial Instruments**

The carrying amounts of cash, receivables, and payables approximate their fair values due to their short-term maturities.

**(8) Concentration of Credit Risk**

Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and assessments receivable. The Association invests its excess cash in both deposits and high quality short-term liquid money market instruments with major financial institutions and the carrying value approximates market value. The Association has not experienced any losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and assessment receivables.

**NOTE 3 – INCOME TAXES**

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenses is subject to taxation unless such excess is returned to the unit owners, applied to the following years assessments or transferred to the replacement fund. The other method enables the Association to elect to exclude from taxation "exempt function income" which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different tax rates. The Association had no income tax liability for 2005.

**NOTE 4 – CABLE TELEVISION CONTRACT**

On March 31, 2005, the Association entered into a five year agreement for cable television service. The initial monthly service charge was \$23.95 per completed unit plus franchise fees and state sales tax. After the initial year, the rate may be increased, never more often than once during any 12-month period and not by more than 6% after providing the Association at least thirty (30) days written notice and setting forth the amount and effective date of the increase.

In June each year, members are billed annually based upon the contract price per unit, and revenue is recognized on a pro rata basis over the period covered by the billing. At December 31, 2005, the Association had billed \$119,385 in advance for the subsequent year, which is reflected as deferred cable assessments on the balance sheet.

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 5 – UNINSURED CASH BALANCES**

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2005, the Association had approximately \$7,784 exceeded the federally insured limit. The Association has not incurred losses related to these investments.

**NOTE 6 – SPECIAL ASSESSMENT / PRIOR PERIOD ADJUSTMENT**

On December 8, 2004, the Board of Directors authorized a special assessment of \$35 per home or the approximate aggregate of \$24,500 to cover the hurricane clean up costs. The assessment was due in full by January 31, 2005.

For financial statement presentation purposes, the special assessment revenue is recognized in the same amount as the related expenses incurred in the same period. In 2004, the special assessment revenue and the special assessment fund were not reflected in the 2004 financial statements reviewed by another accounting firm. Hence, the prior period adjustment of \$24,500 for the 2004 special assessment was reflected in the 2005 financial statements.

**NOTE 7 – WIND DAMAGE DEDUCTIBLE**

The insurance policy for windstorm coverage renewed June 2005. The windstorm insurance policy has 5% deductible provision of the insured value of the common areas.

**NOTE 8 – REPLACEMENT FUND**

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements and, thus, the Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The Board of Directors has also not developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association plans to borrow, to increase regular assessments, pass special assessments, or delays major repairs and replacements until funds are available. The effect on future assessments has not been determined.

**NOTE 9 – ESTIMATES**

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

SUPPLEMENTARY INFORMATION

**PHEASANT WALK HOMEOWNERS ASSOCIATION, INC.**  
**SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES**  
**BUDGET AND ACTUAL (UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	(UNAUDITED) BUDGET	ACTUAL	(UNAUDITED) VARIANCE
<b>REVENUE</b>			
Maintenance Assessments	\$ 287,000	\$ 287,000	\$ - 0 -
Cable Assessments	233,000	214,741	(18,259)
Interest Income	1,200	1,767	567
Golf Tournament Income	7,000	- 0 -	(7,000)
HO Dock Insurance Premium	750	200	(550)
Newsletter - Advertising	3,000	3,670	670
Other Income	- 0 -	25	25
	<u>531,950</u>	<u>507,403</u>	<u>(24,547)</u>
<b>EXPENSES</b>			
Accounting Fees	1,500	1,400	100
Cable	233,000	194,304	38,696
Electricity	27,500	25,955	1,545
Golf Tournament Expenses	3,000	- 0 -	3,000
Grounds Maintenance	1,000	- 0 -	1,000
Improvements - Golf Proceeds	4,000	- 0 -	4,000
Insurance	20,500	16,300	4,200
Irrigation	10,000	5,769	4,231
Lake & Dock Maintenance	1,800	1,650	150
Landscape Improvements	8,670	16,043	(7,373)
Licenses & Fees	650	61	589
Lawn Services	33,000	40,350	(7,350)
Management Fees	34,800	34,800	- 0 -
Newsletter	4,000	3,126	874
Office Supplies & Expenses	4,980	6,120	(1,140)
Playground Maintenance	1,200	1,100	100
Pressure Cleaning	2,850	- 0 -	2,850
Printing & Postage	3,500	3,046	454
Professional Fees	6,400	2,092	4,308
Security	103,100	108,829	(5,729)
Street Signs	1,500	1,094	406
Tree Trimming	25,000	28,515	(3,515)
Wall Painting	- 0 -	4,885	(4,885)
	<u>531,950</u>	<u>495,439</u>	<u>36,511</u>
<b>NET</b>	<u>\$ - 0 -</u>	<u>\$ 11,964</u>	<u>\$ 11,964</u>