

FELDMAN, FELDMAN & ASSOCIATES, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
20283 STATE ROAD 7
SUITE 400
BOCA RATON, FL 33498
(561) 994-3733 • FAX (561) 994-3262

MICHAEL J. FELDMAN, C.P.A.
MINDY A. FELDMAN, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Pheasant Walk Homeowners' Association, Inc.:

We have audited the accompanying balance sheet of Pheasant Walk Homeowners' Association, Inc. as of December 31, 2008, and the related statements of revenues, expenses, and changes in fund balance 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, 2008, 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.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Association has not presented this supplementary information.

Feldman, Feldman & Associates, P.A.

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March 13, 2009

**PHEASANT WALK HOMEOWNERS' ASSOCIATION , INC.
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
 YEAR ENDED DECEMBER 31, 2008**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Maintenance Assessments	\$ 364,000	\$ -	\$ 364,000
Cable Income	278,950	-	278,950
Newsletter Advertising	3,494	-	3,494
Other Income	11,076	-	11,076
Interest Income	1,078	-	1,078
	<u>658,598</u>	<u>-</u>	<u>658,598</u>
EXPENSES			
Administrative	12,328	-	12,328
Cable TV	269,158	-	269,158
Electricity	31,174	-	31,174
Irrigation Repairs and Maintenance	2,782	-	2,782
Insurance	16,051	-	16,051
Lake and Dock Repair	1,470	-	1,470
Lawn Maintenance	42,000	-	42,000
Landscape Replacement	17,617	-	17,617
Management and Accounting	39,000	-	39,000
Mulch	2,350	-	2,350
Newsletter Printing	2,548	-	2,548
Playground Repairs and Maintenance	3,814	-	3,814
Professional Fees	30,650	-	30,650
Repairs and Maintenance	3,689	-	3,689
Security	98,298	-	98,298
Trash Removal	1,191	-	1,191
Tree Trimming	9,000	-	9,000
	<u>583,120</u>	<u>-</u>	<u>583,120</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	75,478	-	75,478
BEGINNING FUND BALANCE	35,702	-	35,702
ENDING FUND BALANCE	<u>\$ 111,180</u>	<u>\$ -</u>	<u>\$ 111,180</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT.

PHEASANT WALK HOMEOWNERS' ASSOCIATION , INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Member Assessments	\$ 469,493	\$ -	\$ 469,493
Cable Income	267,400	-	267,400
Interest Received	1,078	-	1,078
Other Income	14,570	-	14,570
Cash Paid for Operating Expenditures	(604,169)	-	(604,169)
Cash Paid for Replacement Expenditures	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>148,372</u>	<u>-</u>	<u>148,372</u>
CASH AT BEGINNING OF YEAR	185,171	-	185,171
CASH AT END OF YEAR	<u>\$ 333,543</u>	<u>\$ -</u>	<u>\$ 333,543</u>

Reconciliation of excess (deficiency) of revenues
over expenses to net cash provided (used) by
operating activities:

Excess (Deficiency) of revenues over expenses	\$ 75,478	\$ -	\$ 75,478
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Increase in Maintenance Receivable	(2,665)	-	(2,665)
Increase in Prepaid Expenses	(6,135)	-	(6,135)
Decrease in Accounts Payable	(14,914)	-	(14,914)
Increase in Prepaid Maintenance Fees	108,158	-	108,158
Decrease in Deferred Cable Revenue	(11,550)	-	(11,550)
Net Cash Provided (Used) by Operating Activities	<u>\$ 148,372</u>	<u>\$ -</u>	<u>\$ 148,372</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT.

PHEASANT WALK HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

Pheasant Walk Homeowners' Association, Inc. was incorporated on February 26, 1976, in the State of Florida for the purpose of maintaining and preserving the common property of Pheasant Walk Homeowners' Association, Inc. Pheasant Walk Homeowners Association, Inc. consists of 700 residential units located in Boca Raton, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the current year. Under that section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government.

PHEASANT WALK HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMMON AREAS

The Association has title to certain areas which are common to all homes in the development. The Association has elected not to record such real property as assets on the basis that standard accounting practices and policy for homeowners' associations, as described in the American Institute of Certified Public Accountants' guide, Audits of Common Interest Realty Associations, has been to record real property as assets only when the Association can dispose of the property, at the discretion of its board of directors, for cash or claims to cash, with the Association retaining the proceeds, or when the property is used to generate significant cash flows from members on the basis of usage or from nonmembers.

CASH AND CASH EQUIVALENTS

The Association considers all highly liquid investments, including certificates of deposit, to be cash equivalents. The Association maintains cash at several financial institutions.

NOTE 3 - COMMITMENTS

The Association has various contract services to maintain the common property including maintenance services, lawn maintenance, and pest control. These contracts have different expiration dates and renewal terms.

NOTE 4 – UNINSURED CASH BALANCES

The Association has interest-bearing deposits in various commercial banks. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. [REDACTED]

PHEASANT WALK HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LITIGATION

The Association is a party to various legal actions normally associated with homeowner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. The Association has not estimated the remaining lives and replacement costs of the common property. If additional funds are needed, however, the Association has the right, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until

funds are available.

NOTE 7 -- CABLE TELEVISION CONTRACT

On March 31, 2005, the Association entered into a five year agreement for cable television service. After the initial year, the rate may be increased, never more than once during a twelve month period and not more than 6% after providing the Association at least thirty days written notice and setting forth the