

ABACOA PROPERTY OWNERS' ASSEMBLY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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To the Board of Directors
Abacoa Property Owners' Assembly, Inc.
Jupiter, Florida

Independent Auditors' Report

We have audited the accompanying balance sheet of Abacoa Property Owners' Assembly, 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 Abacoa Property Owners' Assembly'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 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 Abacoa Property Owners' Assembly, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as whole. The Supplemental Schedule of Expenses on page 11 and 12 is presented for the purpose of additional analysis and is not a required part of basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respect in relation to the basic financial statements taken as a whole.



René & Associates, P.A.
Certified Public Accountants
Jupiter, FL 33458
May 29, 2009

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MEMBERS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Abacoa Property Owners' Assembly, Inc.
 Balance Sheet
 As of December 31, 2008

Assets

	<u>Operating Fund</u>
Cash and Cash Equivalents	\$ 799,329
Cash Held in Escrow	53,495
Accounts Receivable	5,642
Other Receivables	52,931
Property and Equipment net of \$10,220 of Accumulated Depreciation	89,687
Prepaid Insurance	4,087
Prepaid Expenses	4,840
Prepaid Tax	14
Utility Deposits	3,180
Total Assets	\$ 1,013,205

Liabilities and Fund Balance

Liabilities:	
Accounts Payable	\$ 44,934
Prepaid Assessments	171,832
Architectural Review Fee Deposits	28,998
Escrow Deposits Payable	53,495
Total Liabilities	299,259
Fund Balance	713,946
Total Liabilities and Fund Balance	\$ 1,013,205

See notes to the financial statements

Abacoa Property Owners' Assembly, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2008

	<u>Operating Fund</u>
Revenue	
Maintenance Assessments	\$ 1,079,136
Miscellaneous	823
Interest	15,379
Abacoa Directory	<u>3,225</u>
Total Revenue	1,098,563
Expenses	
Irrigation Maintenance	135,021
Operation	317,179
Street Lights	134,273
Office Expense	312,170
Communication and Media Expenses	<u>28,368</u>
Total Expenses	<u>927,011</u>
Excess of Revenues Over Expenses	171,552
Beginning Fund Balance	536,431
Title Holder Capital Contribution Addition	<u>5,963</u>
Ending Fund Balance	<u><u>\$ 713,946</u></u>

See notes to the financial statements

Abacoa Property Owners' Assembly, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2008

	<u>Operating Fund</u>
Cash Flows From Operating Activities	
Maintenance Assessments	\$ 1,245,326
Interest Received	15,379
Directory Receipts	3,225
Miscellaneous	823
Paid to Vendors and Suppliers	<u>(871,251)</u>
Net Cash Provided by Operating Activities	393,502
 Cash Flows From Financing Activities	
Titleholder Capital Contributions	<u>5,967</u>
Net Cash Provided by Financing Activities	5,967
 Cash Flows From Investing Activities	
Purchase of Property and Equipment	<u>(95,907)</u>
Net Cash Used by Investing Activities	<u>(95,907)</u>
 Net Increase in Cash	303,562
Cash and Cash Equivalents at Beginning of the Year	<u>495,767</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 799,329</u></u>

RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO
CASH PROVIDED BY OPERATING ACTIVITIES

Excess of Revenues Over Expenses	\$ 171,550
Depreciation	10,186
(Increase) Decrease in:	
Other Receivable	(4,255)
Accounts Receivables	(5,642)
Escrow Deposits	9,916
Prepaid Expenses	(405)
Increase (Decrease) in:	
Accounts Payable	44,934
Prepaid Assessments	171,832
Architectural Review Fees	5,303
Escrow Deposits Payable	<u>(9,917)</u>
Total Adjustments	<u>221,952</u>
Net Cash Provided Operating Activities	<u><u>\$ 393,502</u></u>

See notes to the financial statements

ABACOA PROPERTY OWNERS' ASSEMBLY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Abacoa Property Owners' Assembly, Inc., the ("Assembly") a not-for-profit corporation, was organized under the laws of the State of Florida on November 20, 1996. The Assembly was formed to maintain and preserve certain common property at the Abacoa development (the "Development"), in accordance with the Declaration of Covenants, Conditions and Restrictions for Abacoa Property Owners' Assembly, Inc. as declared by the Abacoa Development Company (the "Developer"), a Delaware corporation. The Development consists of neighborhoods, residential districts, commercial and workplace properties and golf course property on 2,050 acres in Jupiter, Florida.

Basis of accounting – The Assembly prepares its financial statements on the accrual basis whereby revenues are recognized when earned and expenses are recorded when incurred and measurable. The Assembly uses the fund method of accounting, which requires that operating funds and funds for future repairs and replacements, if any, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. The Operating Fund accounts for expenditures for normal repair, maintenance and administration of the common area.

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 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.

Cash and Cash Equivalents - The Assembly's policy is to treat all bank deposit accounts and certificates of deposit with maturities of three months or less as cash and cash equivalents.

Property and Equipment – The Assembly capitalizes all tangible personal property to which it has title or other evidence of Ownership interest with an individual unit cost greater than \$5,000. Items below \$5,000 are expensed. Real property directly associated with the members' Ownership interest is not capitalized. At December 31, 2008, no real property was owned by the Assembly. Property and equipment acquired by the Assembly is recorded at cost. Capitalized common property is depreciated over estimated useful lives of ten years using the straight-line method of depreciation.

Maintenance Assessments – Assembly members are subject to quarterly assessments to provide funds for the Assembly's operating expenses. Assessments receivable at the balance sheet date represents fees and reimbursements due from members and others. Any excess assessments at year end are retained by the Assembly for use in the succeeding year. At December 31, 2008 the Assembly had no significant delinquent accounts. Management believes an allowance for doubtful accounts is not deemed necessary.

ABACOA PROPERTY OWNERS' ASSEMBLY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Titleholder Capital Contributions - In accordance with the Declaration of Covenants, Conditions and Restrictions, members are required to contribute two months of all assessments applicable to each lot in effect at the time of taking title. The Assembly's governing documents do not require the segregation of these funds. The Assembly's policy is to record these assessments as capital contributions when received. Disbursements are made at the discretion of the Assembly's management and are generally limited to emergencies such as hurricane related debris removal and replacement.

Concentration of Credit Risk – Financial instruments which potentially subject the Assembly to concentration credit risk are primarily cash and cash equivalents and receivable. The Assembly invests its excess cash and cash equivalents in deposits, high quality short term liquid money market instruments and a Certificate of Deposit Account Registry Service Program (CDARS). The Assembly maintains its cash at three financial institutions and the accounts are insured by the FDIC at \$250,000 per institution. At December 31, 2008, the Assembly did not have balances above the insured limits. The components of cash are detailed in Note B. The Assembly believes it is not exposed to any significant credit risk on cash and equivalents and receivable.

Fair Value Financial Instruments – The carrying value of cash, receivable, payable and member assessment received in advance approximate their fair value short term maturity of these instruments.

Income Taxes - The Assembly may be tax either as a homeowners' association under Section 528 of the Internal Revenue Code or as a regular corporation. For the year ended December 31, 2008 the Assembly was taxed as homeowner's association and it was taxed at 30% rate on its' non-exempt function income such as interest income, net of expenses related to the non exempt function income. The Assembly's income tax expense for the year was \$1,986.

NOTE B – CASH:

The Assembly maintained the following cash accounts at December 31, 2008:

	<u>Operating Fund</u>
Checking and Money Market Accounts	\$224,097
Certificate of Deposit Account Registry Service (CDARS)	<u>575,232</u>
	<u>\$ 799,329</u>

NOTE C – CASH HELD IN ESCROW:

Cash held in Escrow consists of deposits paid by builders as security for any incidental damages and clean up cost. At December 31, 2008 \$53,495 was held in escrow.

ABACOA PROPERTY OWNERS' ASSEMBLY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2008

NOTE D – PROPERTY AND EQUIPMENT:

As described in Note F, the Assembly entered into an operating lease for new office. Improvement to the leasehold began in 2007 and the Assembly's policy is to capitalize expenditures over \$5,000.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Leasehold Improvement	<u>\$99,907</u>	<u>\$10,220</u>	<u>\$89,687</u>

Depreciation expense for the year ended December 31, 2008 was \$10,186.

NOTE E – COMMITMENTS:

High Level Maintenance Agreement - The Assembly is party to an agreement with Northern Palm Beach County Improvement District ("Northern"), a political subdivision of the State of Florida. The agreement calls for the Assembly to maintain certain public improvements installed by Northern within the Development at a higher level of service than Northern would typically maintain. To fulfill this responsibility, the Assembly has entered into contracts with local vendors to maintain certain landscaping and associated irrigation on the improvements.

Irrigation Quality Water Agreement – The Assembly is party to an agreement with the Loxahatchee River Environment Control District ("ENCON") to purchase irrigation quality water used by the Assembly's irrigation system. The agreement is for 20 years, commencing in May 1998. This agreement is modified from time to time as the Assembly's water needs change including the annual rate increase. Total expenses incurred in connection with this agreement for the year ended December 31, 2008 was \$36,601. Future minimum payments under the terms of the agreement are as follows:

2009	38,112
2010	38,112
2011	38,112
2012	38,112
2013	38,112
Thereafter	<u>168,328</u>
	<u>\$358,888</u>

Median Agreements - The Assembly is required to maintain public roadway medians throughout the Development. The Assembly's management negotiated agreements with the Town of Jupiter, a municipal corporation of the State of Florida and other local developers to share in those costs that benefit the public as well as the Assembly's membership. In 2008 the median reimbursements received totaled \$202,988. The Town of Jupiter reimbursed \$194,070 of that amount. The Town of Jupiter's reimbursement is contingent on their fiscal year budgeting process. The Assembly's management believes the level of

ABACOA PROPERTY OWNERS' ASSEMBLY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE F – COMMITMENTS (Continued)

funding from the Town of Jupiter will remain consistent into the future. The reimbursements are recognized in the financial statements as a reduction to Lawn Maintenance expenses.

Street Light Agreements - The Assembly has various agreements with Florida Power and Light which regulate certain costs associated with the street lights within the Development. The agreements stipulate that the Assembly's cost for maintenance, energy and certain other expenses be based on a flat per-pole rate. In addition, the Assembly is party to an agreement with the Town of Jupiter to reimburse the Assembly for a portion of the maintenance and energy costs of certain street lights within the Development. Reimbursements for street lighting from the Town of Jupiter totaled \$17,558 in 2008. The reimbursements are recognized in the financial statements as a reduction to Street Lighting expenses.

Office Lease agreement – The Assembly entered into a 10 years lease agreement for office space on September 19, 2007. As part of the lease agreement, the Assembly agreed to improve the office. The lease payment started in February 2008 and it includes monthly maintenance fee of \$1,022.25 and lease payment of \$1,817.33 for the first five years and \$2,044.5 thereafter. The estimate minimum lease payments of the lease are as follow:

Year	
2009	\$34,075
2010	34,075
2011	34,075
2012	34,075
2013	36,801
Thereafter	<u>138,004</u>
Total	<u>\$311,105</u>

Total lease payments for year ended December 31, 2008 was \$32,704

NOTE G – FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Assembly's governing documents do not require the accumulation of funds to finance the estimated cost of future major repairs or replacements. Substantially all of the improvements maintained by the Assembly are the property of Northern, management believes that the Assembly is not responsible for any future major repairs or replacements that would be material to the financial statements.

ABACOA PROPERTY OWNERS' ASSEMBLY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE H – EMERGENCY FUND:

The Assembly's management has established a policy to accumulate funds for emergency situations such as hurricane remediation expenses or other unexpected emergencies that may arise. The Titleholders Capital Contributions amounts collected as set forth in the governing documents are set aside as part of the emergency fund. If the Assembly's Board of Directors determines additional amounts are required they have established a policy to fund for those needs through the normal budgeting process to minimize the need for future special assessments or to transfer the Operating Fund surplus to the Emergency Fund. The funds set aside for emergencies are a Board designation of the Operating Fund Balance.

At December 31, 2008 the Operating Fund Balance was \$713,946 which consisted of designated Emergency Funds of \$252,033 and undesignated Operating Fund Balance of \$461,913.

Abacoa Property Owners' Assembly, Inc.
 Supplemental Schedule of Expenses
 For the Year Ended December 31, 2008

	<u>Operating Fund</u>
Expenses:	
Irrigation Maintenance	57,600
IQ Water Supply Agreement	36,601
Irrigation Repair-Materials	27,839
IQ Phone Lines	6,876
Potable Water Jupiter Wellsite	5,032
IQ Electrical Lines	1,073
Total Irrigation Maintenance	<u>135,021</u>
Lawn Maintenance	157,507
Mulching	41,011
Tree Trimming	40,073
Holiday Decorations	24,856
Contract Maintenance - Light Fixtures	17,827
Annuals	16,375
Plant Replacements	9,147
Pressure Clean Entry Features	5,901
Trash Removal	4,171
Sod and Seeding	250
Directional Sign	63
Total Operational	<u>317,181</u>
Street Lighting	122,720
Electric - Donald Ross/Central East	4,231
Electric - Donald Ross/Central West	2,761
Electric - Parkside/Donald Ross	2,584
Electric	860
Electric - Fredrick Small/Military	791
Electric - Greenway/Indian Creek	326
Total Street Lights	<u>134,273</u>
Management Fees	167,269
Receptionist	34,609
Rental	32,704
General Liability	26,819
Legal Services	11,971
Depreciation	10,186
Auditing and Tax	5,280
Payroll Tax and Benefits	3,103
Telephone	2,203
Equipment Lease	2,032
Office Supplies	1,990
Taxes and Licenses	1,986
Building Services (Janitorial)	1,811
Training and Education	1,766
Recruiting and Hiring	1,764
Meeting Expense	1,615

See Accountants' Report

Abacoa Property Owners' Assembly, Inc.
 Supplemental Schedule of Expenses
 For the Year Ended December 31, 2008

	<u>Operating Fund</u>
Office - Repair and Maintenance	926
Activities Director	608
Bristol Fees	537
Workmen's Compensation Insurance	525
Postage and Shipping	460
Meals	452
Repairs and Maintenance - Equipment	450
Travel	346
Abacoa Directory	293
Dues and Subscription	165
Architectural Review Fees	125
Interest Capital Contribution	114
Licenses and Filing Fees	61
Total Office Expense	312,170
Website	10,015
Television Channel Expense	9,050
Communications Media Cost	6,576
Software Support	1,999
Computer Equipment Repair & Maintenance	728
Total Communication and Media Expense	28,368
Total Operating Expenses	\$ 927,013

See Accountants' Report