

**Bear Island Homeowners'  
Association, Inc.**

**Financial Statements**

**December 31, 2009**

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
Bear Island Homeowners' Association, Inc.  
West Palm Beach, Florida

We have reviewed the accompanying Balance Sheet of Bear Island Homeowners' Association, Inc. as of December 31, 2009, and the related Statements of Revenues, Expenses and Fund Balances and Cash Flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the Board of Directors of Bear Island Homeowners' Association, Inc.

A review consists principally of inquiries of the Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As discussed in Note 4, the Association has not conducted a study to estimate the remaining lives and future major repairs and replacement costs of the components of common property and therefore has not presented estimates of future costs of major repairs and replacements which the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements.

PATRICK E. DARLING  
Certified Public Accountant

January 26, 2010

**Bear Island Homeowners' Association, Inc.**  
**Balance Sheet**  
**December 31, 2009**

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 326,875	\$ 88,656	\$ 415,531
Assessments receivable (net of bad debt reserve of \$37,465)	14,216	-0-	14,216
Prepaid expenses	3,854	-0-	3,854
Utility deposits	7,671	-0-	7,671
	<u>7,671</u>	<u>-0-</u>	<u>7,671</u>
<b>Total Assets</b>	<u>\$ 352,616</u>	<u>\$ 88,656</u>	<u>\$ 441,272</u>
<b>Liabilities</b>			
Accounts payable	\$ 39,898	\$ -0-	\$ 39,898
Assessments received in advance	80,082	-0-	80,082
Refundable deposits	13,600	-0-	13,600
	<u>13,600</u>	<u>-0-</u>	<u>13,600</u>
<b>Total Liabilities</b>	133,580	-0-	133,580
<b>Fund Balances</b>	<u>219,036</u>	<u>88,656</u>	<u>307,692</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 352,616</u>	<u>\$ 88,656</u>	<u>\$ 441,272</u>

*Please read the accompanying notes and independent accountant's review report.*

**Bear Island Homeowners' Association, Inc.**  
**Statement of Revenues, Expenses and Fund Balances**  
**For the year ended December 31, 2009**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Revenues</b>			
Maintenance assessments	\$ 813,060	\$ 45,000	\$ 858,060
Interest	2,975	334	3,309
Other income	10,928	330	11,258
<b>Total Revenues</b>	<b>826,963</b>	<b>45,664</b>	<b>872,627</b>
<b>Expenses</b>			
Management fees	24,600	-0-	24,600
Professional fees	23,862	-0-	23,862
Insurance	16,247	-0-	16,247
Master association	53,372	-0-	53,372
Electricity	23,903	-0-	23,903
Telephone	3,380	-0-	3,380
Water & sewer	238,868	-0-	238,868
Pest control	6,838	-0-	6,838
Grounds maintenance	154,908	-0-	154,908
Repairs & maintenance	7,155	-0-	7,155
Sprinkler supplies / repairs	35,741	-0-	35,741
Landscape replacement	8,540	-0-	8,540
Gatehouse service	143,509	-0-	143,509
Tree trimming	10,582	-0-	10,582
Storage rent	933	-0-	933
Gate security & expenses	2,150	-0-	2,150
Spraying & fertilization	17,773	-0-	17,773
Alarm monitoring	23,498	-0-	23,498
Printing & postage	8,742	-0-	8,742
Contingencies	2,779	-0-	2,779
Bad debts	17,699	-0-	17,699
Pressure cleaning	5,160	-0-	5,160
Miscellaneous expenses	213	3,106	3,319
<b>Total Expenses</b>	<b>830,452</b>	<b>3,106</b>	<b>833,558</b>

*Please read the accompanying notes and independent accountant's review report*

**Bear Island Homeowners' Association, Inc.**  
**Statement of Revenues, Expenses and Fund Balances (continued)**  
**For the year ended December 31, 2009**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Excess of revenues over (under) expenditures</b>	(3,489)	42,558	39,069
<b>Fund Balance - January 1, 2009</b>	<u>222,525</u>	<u>46,098</u>	<u>268,623</u>
<b>Fund Balances - December 31, 2009</b>	<u>\$ 219,036</u>	<u>\$ 88,656</u>	<u>\$ 307,692</u>

*Please read the accompanying notes and independent accountant's review report*  
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**Bear Island Homeowners' Association, Inc.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2009**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Operating Activities</b>			
Maintenance assessments collected	\$ 807,528	\$ 45,000	\$ 852,528
Interest received	2,975	334	3,309
Other income collected	10,928	330	11,258
Cash (paid) to suppliers of goods and services	<u>(827,134)</u>	<u>(3,106)</u>	<u>(830,240)</u>
<b>Net Cash provided (used) by Operating Activities</b>	<u>(5,703)</u>	<u>42,558</u>	<u>36,855</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(5,703)</u>	<u>42,558</u>	<u>36,855</u>
Cash and cash equivalents-January 1, 2009	<u>332,578</u>	<u>46,098</u>	<u>378,676</u>
<b>Cash and cash equivalents-December 31, 2009</b>	<u><u>\$ 326,875</u></u>	<u><u>\$ 88,656</u></u>	<u><u>\$ 415,531</u></u>
Income tax paid	<u><u>\$ -0-</u></u>		

*Please read the accompanying notes and independent accountant's review report.*

**Bear Island Homeowners' Association, Inc.**  
**State of Cash Flows (continued)**  
**For the year ended December 31, 2009**

**Reconciliation of excess of revenues over  
(under) expenditures to net cash  
provided by operating activities:**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Excess of revenues over (under) expenditures</b>	\$ (3,489)	\$ 42,558	\$ 39,069
<b>Adjustments to reconcile excess of revenues over (under) expenditures to net cash provided (used) by operating activities:</b>			
<b>(Increase) decrease in:</b>			
Assessments receivable	5,655	-0-	5,655
Prepaid expenses	101	-0-	101
Utility deposits	(1,791)	-0-	(1,791)
<b>Increase (decrease) in:</b>			
Accounts payable	(1,742)	-0-	(1,742)
Assessments received in advance	(11,187)	-0-	(11,187)
Income taxes payable	(50)	-0-	(50)
Refundable deposits	6,800	-0-	6,800
	<u>6,800</u>	<u>-0-</u>	<u>6,800</u>
<b>Net Cash provided (used) by Operating Activities</b>	<u>\$ (5,703)</u>	<u>\$ 42,558</u>	<u>\$ 36,855</u>

**Bear Island Homeowners' Association, Inc.**  
**Notes to Financial Statements**  
**As of and for the year ended December 31, 2009**

**Nature of Operations**

Bear Island Homeowners' Association, Inc. (the "Association") was incorporated in 1988, as a not-for-profit corporation under Chapter 617 of the Florida Statutes, to manage, maintain, and operate the common areas within the development. The membership consists of the 227 unit owners with the Association located in West Palm Beach, Florida.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

This summary of significant accounting policies of Association, Inc. is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Association's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been applied on a consistent basis.

**Method of Accounting**

The Association prepares its financial statements on the accrual basis of accounting and presents them as separate funds based on its different funding policies for operations and capital replacements.

The Operating Fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations.

The Replacement Fund is composed of all capital assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

**Property and Equipment**

Real property (i.e., roads, parking lots, roofs, fences, exterior walls, building lights, mansards, etc.) and other related common areas acquired from the Developer and the related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. Accordingly, these Expenditures are included in the appropriate fund expense in the year of acquisition. The disposition of any common real property must be approved by the unit owners of the Association.

**Bear Island Homeowners' Association, Inc.**  
**Notes to Financial Statements**  
**As of and for the year ended December 31, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Acquisitions of furnishings, improvements, and equipment used for maintenance and operation of the common elements of the Association are capitalized at cost and depreciated over the useful lives using the straight-line method.

**Member Assessments**

Association members are subject to monthly assessments to provide funds for the Association's operating expenditures, future capital acquisitions, and major repairs and replacements. Maintenance assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year-end are retained by the Association for use in future years. Unearned maintenance assessments represent fees paid by members in anticipation of the due date. These assessments will be recognized as revenue in 2010.

**Income Taxes**

Homeowners Associations are taxed as regular corporations or elect to be taxed as a Homeowners Association. The Association was taxed as a regular corporation for the year ended December 31, 2009. The Association is generally taxed only on non membership income, such as interest earnings, at regular federal and state corporate tax rates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Bear Island Homeowners' Association, Inc.**  
**Notes to Financial Statements**  
**As of and for the year ended December 31, 2009**

**2. FINANCIAL INSTRUMENTS WITH CREDIT RISK:**

The Association maintains its cash balances at one financial institution located in Palm Beach County, Florida. Accounts at this institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. The Association's uninsured balance was \$156,461 at December 31, 2009.

**3. INCOME TAXES:**

For the period ended December 31, 2009, the Association received \$3,309 in interest income which did not generate an income tax liability.

**4. FUTURE MAJOR REPAIRS AND REPLACEMENTS:**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. The Association's Board of Directors has not conducted a study to estimate the remaining useful lives and the replacement costs of the common property components. Amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The activity in the Replacement Fund for the year ended December 31, 2009 is as follows:

	Balance January 1, 2009	Additions to Funds	(Expenditures)	Balance December 31, 2009
General	\$ 42,682	\$ 45,330	\$ -0-	\$ 88,012
Interest	3,416	334	(3,106)	644
<b>Total</b>	<b>\$ 46,098</b>	<b>\$ 45,664</b>	<b>\$ (3,106)</b>	<b>\$ 88,656</b>