

**MENTONE COMMUNITY
ASSOCIATION, INC.**

Financial Statements

Year Ended December 31, 2009

MICHAEL P. MANGAN, C.P.A., P.A.

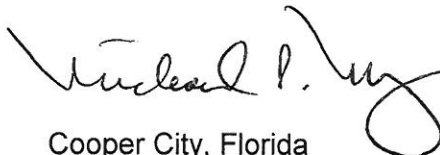
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Board of Directors
Mentone Community Association, Inc.
Gainesville, Florida

I have compiled the accompanying balance sheet of Mentone Community Association, Inc. (a homeowners association) as of December 31, 2009 and the related statements of revenues, expenses and changes in 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.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements, and, accordingly, do not express an opinion or any other form of assurance on them.

The supplementary information about future repairs and replacements on page 9 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have compiled the supplementary information from information that is the representation of management of Mentone Community Association, Inc., without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

 CPA, PA

Cooper City, Florida
July 30, 2010

MENTONE COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
December 31, 2009

	OPERATING FUND	RESERVE FUND	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 64,346	\$ 46,676	\$ 111,022
Assessments receivable	8,974	-	8,974
	<u>\$ 73,320</u>	<u>\$ 46,676</u>	<u>\$ 119,996</u>
 LIABILITIES:			
Prepaid Owner Assessments	\$ 20,497	-	\$ 20,497
	20,497	-	20,497
 HOMEOWNERS' EQUITY:			
Fund balance	52,823	46,676	99,499
	<u>\$ 73,320</u>	<u>\$ 46,676</u>	<u>\$ 119,996</u>

MENTONE COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND FUND BALANCE-
Year Ended December 31, 2009

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
REVENUES:			
Assessments from homeowners for common area expenses	\$ 159,085	\$ 16,871	\$ 175,956
Interest income	-	238	238
Other income	5,104	-	5,104
	<u>164,189</u>	<u>17,109</u>	<u>181,298</u>
EXPENSES:			
Bad debt	1,539	-	1,539
Bank charges	28	-	28
Insurance	7,621	-	7,621
Management fees	30,538	-	30,538
Office and administrative	7,015	-	7,015
Professional fees -			
Accounting	2,815	-	2,815
Legal	2,421	-	2,421
Repairs and maintenance -			
Building	-	688	688
General	13,595	-	13,595
Lawn and landscaping	40,706	-	40,706
Other - contingency	5,470	-	5,470
Pest control and termite bond	602	-	602
Pool	28,303	6,494	34,797
Taxes and licenses	1,606	-	1,606
Utilities	10,384	-	10,384
	<u>152,643</u>	<u>7,182</u>	<u>159,825</u>
EXCESS OF REVENUES OVER EXPENSES	11,546	9,927	21,473
FUND BALANCE - JANUARY 1, 2009	<u>41,277</u>	<u>36,749</u>	<u>78,026</u>
FUND BALANCE - DECEMBER 31, 2009	<u><u>52,823</u></u>	<u><u>46,676</u></u>	<u><u>99,499</u></u>

MENTONE COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 11,546	\$ 9,927	\$ 21,473
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	2,867	-	2,867
Other receivables	2,580	-	2,580
Increase (decrease) in:			
Prepaid assessments	1,548	-	1,548
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,541</u>	<u>9,927</u>	<u>28,468</u>
 NET INCREASE IN CASH	 18,541	 9,927	 28,468
 CASH AT BEGINNING OF YEAR	 <u>45,805</u>	 <u>36,749</u>	 <u>82,554</u>
 CASH AT END OF YEAR	 <u>\$ 64,346</u>	 <u>\$ 46,676</u>	 <u>\$ 111,022</u>

**MENTONE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A - NATURE OF ORGANIZATION

The Mentone Community Association, Inc. (the "Association") was incorporated on July 31, 1996 in the State of Florida as a non-profit, homeowners association. The Association is located in Gainesville, Florida, and is responsible for the operation and maintenance of the common property within the development. The development consists of 341 homes. An accurate determination of the exact acreage involved is not available. The Association's operation and financial activities are governed by Florida Statutes, Chapter 720, and the related Florida Administrative Code ("FAC") sections.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents also provide guidelines for its financial activities as required by the FAC and to ensure observance of limitations and restrictions on the use of financial resources. The Association maintains its accounts using fund accounting in its accounting system. 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 replacement fund is generally not available for use other than its designated purpose.

The Association's policy is to prepare its financial statements on a modified cash basis of accounting; consequently, certain revenues are recognized when earned and certain expenses and purchases of assets are recognized when the obligation is incurred.

Assessments Receivable – Members

The Association considers all assessments receivable at December 31, 2009 to be fully collectible since the Association's policy is to retain legal counsel and place liens on the properties of the owners whose assessments are delinquent, as well as, file suits for personal judgments. There are no uncollectible assessment receivables at December 31, 2009 and therefore no allowance for bad debts.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The amount of the quarterly assessments in 2009 was \$129 per home with 16 homes assessed \$154 per quarter for maintenance fees. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Interest Income

Interest income is allocated to all the operating and replacement funds in proportion to the interest-bearing deposits of each account.

Income Taxes

Homeowners associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2009, the Association was taxed as a homeowners' association. The Association is taxed only on its non-exempt functional income, such as interest earnings, after allocations of expenses associated with the taxable income are made. The Association is taxed at the Internal Revenue Code section 528 rates, which is the Homeowner's Association rate of 30% after a specific \$100 deduction.

After allocations of related expenses, the Association had no taxable income for 2009. Therefore, there was no Homeowners Association income tax at the federal or state level.

Property And Equipment

The Association's policy on property and equipment has been to not capitalize the property and equipment in accordance with industry practices. At December 31, 2009, the property not capitalized included roadways, sidewalks, greenbelts, swimming pool, common furniture, pavilion, tennis court, basketball court, soccer field and playground. Members must approve of the disposal of any real property, which the Association owns.

Estimates

The preparation of financial statement 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 statement and the reported amounts of revenue and expenses during the reported period. Actual results may differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking accounts and money market accounts.

NOTE D – PREPAID ASSESSMENTS

As of December 31, 2009, the Association has received prepaid assessments totaling \$20,497.

NOTE E – REPLACEMENT FUND

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are to be held in a separate account and are generally not available for other purposes. It is the Association's policy to allocate related interest income and income taxes to the replacement fund. As part of the annual budget process, the Association determines the monthly amount to be transferred from the operating fund to the replacement fund for funding the annual required amount.

In 2009, the Association designated \$16,871 to fund the actual major repairs and replacement expenditures.

If funds are needed, the Association has the right to increase regular assessments; levy special assessments, if the special assessment amount exceeds one-half of the current regular assessment it is subject to member approval; or it may delay major repairs and replacements until funds are available.

Accumulated funds designated for future major repairs and replacements for December 31, 2009 is as follows:

Accumulated Funds for Future Repairs and Replacements

<u>Reserve Fund</u>	<u>12/31/2008 Beginning Balance</u>	<u>Additions</u>	<u>Expenditures</u>	<u>12/31/2009 Ending Balance</u>
Landscape Mulch	\$ 7,060	\$ -	\$ -	\$ 7,060
Building Repair	-	750	(687)	63
Entrance Landscape & Sign	1,125	94	-	1,219
Sinkhole Remediation	6,000	-	-	6,000
Pecan Park Fence	-	500	-	500
Playground	333	667	-	1,000
Pool Pump	1,113	-	-	1,113
Pool Fence	650	731	-	1,381
Pool Bathroom	1,000	1,000	-	2,000
Pool Heater	6,500	583	(6,495)	588
Pool Resurfacing	2,925	1,092	-	4,017
Pool Deck Resurfacing	2,575	4,356	-	6,931
Common Furniture	38	800	-	838

Gate	166	167	-	333
Tennis & Basketball Resurfacing	1,875	1,125	-	3,000
Pavement Re-stripe	1,000	1,000	-	2,000
Pavilion Painting	1,875	156	-	2,031
Roof Exterior	2,000	3,500	-	5,500
Well Pump	-	350	-	350
Accumulated Interest	514	238	-	752
Total	<u>\$ 36,749</u>	<u>\$ 17,109</u>	<u>\$ (7,182)</u>	<u>\$ 46,676</u>

MENTONE COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIR AND
REPLACEMENTS (UNAUDITED)
December 31, 2009

The Association's Board of Directors has estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components developed when the 2009 Association's Budget was prepared and approved. Estimated current replacement costs have not been revised since that time and do not take into account the effects of inflation between that time and the date that the components will require repair or replacement.

The following information is based on the Board's estimates and presents information about the components of common property.

Components	Estimated Useful Life in Years	Estimated Remaining Life	Estimated Replacement Cost	Fund Balance 12/31/2009	2009 Annual Funding Requirement
Landscape Mulch	2	1	\$ 5,700	\$ 7,060	\$ -
Building Repairs	1	1	750	63	750
Entrance Landscape & Sign	5	4	1,500	1,219	94
Sinkhole Remediation	1	1	6,000	6,000	-
Pecan Park Fence	8	8	4,000	500	500
Playground	2	1	1,000	1,000	667
Pool Pump	5	4	1,100	1,113	-
Pool Fence	10	8	6,500	1,381	731
Pool Bathroom	5	4	5,000	2,000	1,000
Pool Heater	10	6	10,000	588	583
Pool Resurfacing	4	3	6,200	4,017	1,092
Pool Deck Resurfacing	9	4	20,000	6,931	4,356
Common Furniture	5	4	4,000	838	800
Gate	3	2	500	333	167
Tennis & Basketball Resurfacing	1	1	3,000	3,000	1,125
Pavement Re-stripe	5	4	5,000	2,000	1,000
Pavilion Painting	5	4	2,500	2,031	156
Roof Exterior	8	4	16,000	5,500	3,500
Well Pump	10	10	3,500	350	350
 Total			<u>\$ 102,250</u>	<u>\$ 45,924</u>	<u>\$ 16,871</u>