

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

DECEMBER 31, 2005

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SUPPLEMENTARY INFORMATION**

FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

December 31, 2005

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To the Board of Directors
Fox Wood at Trinity Community Association, Inc.
Trinity, Florida

We have reviewed the accompanying balance sheet of Fox Wood at Trinity Community Association, Inc. (Association) as of December 31, 2005, and the related statements of revenues, expenses, and changes in fund balance 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 management of Fox Wood at Trinity Community Association, Inc.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit 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.

The supplementary information about future major repairs and replacements on page 8 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of Fox Wood at Trinity Community Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

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Orlando, Florida
April 27, 2006

BALANCE SHEET

FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

December 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 87,342	\$ 141,858	\$ 229,200
Assessments receivable	3,590	-	3,590
Due from operating fund	-	56,514	56,514
Prepaid expenses	9,500	-	9,500
Deposits	3,291	-	3,291
	<u>\$ 103,723</u>	<u>\$ 198,372</u>	<u>\$ 302,095</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 3,127	\$ -	\$ 3,127
Due to replacement fund	56,514	-	56,514
Prepaid member assessments	36,882	-	36,882
	<u>96,523</u>	<u>-</u>	<u>96,523</u>
FUND BALANCE	<u>7,200</u>	<u>198,372</u>	<u>205,572</u>
	<u>\$ 103,723</u>	<u>\$ 198,372</u>	<u>\$ 302,095</u>

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See accompanying notes and accountants' report.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE**FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.**

Year Ended December 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Member assessments	\$ 272,333	\$ 75,939	\$ 348,272
Interest	132	2,309	2,441
Miscellaneous	8,961	-	8,961
	<u>281,426</u>	<u>78,248</u>	<u>359,674</u>
EXPENSES			
Grounds maintenance	25,330	-	25,330
Gate maintenance and expense	6,657	-	6,657
Irrigation expense	11,854	-	11,854
Landscape maintenance and extras	65,207	-	65,207
Major repairs and replacements	-	1,724	1,724
Utilities	29,208	-	29,208
Recreational area expense	12,398	-	12,398
Management and administrative expense	77,294	-	77,294
	<u>227,948</u>	<u>1,724</u>	<u>229,672</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE PROPERTY DEVELOPER'S CONTRIBUTION			
	53,478	76,524	130,002
Property Developer's Contribution	<u>1,342</u>	<u>-</u>	<u>1,342</u>
EXCESS OF REVENUES OVER EXPENSES			
	54,820	76,524	131,344
Fund balance at beginning of year	7,957	66,271	74,228
Transfers	<u>(55,577)</u>	<u>55,577</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 7,200</u>	<u>\$ 198,372</u>	<u>\$ 205,572</u>

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See accompanying notes and accountants' report.

STATEMENT OF CASH FLOWS

FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

Year Ended December 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 54,820	\$ 76,524	\$ 131,344
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Decrease in assessments receivable	6,660	-	6,660
Increase in prepaid expenses	(1,190)	-	(1,190)
Decrease in accounts payable	(5,635)	-	(5,635)
Decrease in accrued expenses	(8,800)	-	(8,800)
Increase in prepaid member assessments	5,382	-	5,382
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>51,237</u>	<u>76,524</u>	<u>127,761</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Inter-fund transfers	(55,577)	55,577	-
Inter-fund borrowings	56,000	(56,000)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>423</u>	<u>(423)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,660	76,101	127,761
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>35,682</u>	<u>65,757</u>	<u>101,439</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 87,342</u>	<u>\$ 141,858</u>	<u>\$ 229,200</u>

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See accompanying notes and accountants' report.

NOTES TO FINANCIAL STATEMENTS

FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

DECEMBER 31, 2005

NOTE A - ORGANIZATION

Fox Wood at Trinity Community Association, Inc. (Association) was incorporated August 22, 1996 under the laws of the State of Florida as a corporation not for profit, for the purpose of providing maintenance, preservation, and control of the common areas within the development. The Association is being developed by Adam Smith Enterprises, Inc. (Property Developer). The Association consists of 910 residential lots located in Trinity, Florida. On July 13, 2005 the Property Developer transferred control of the Association to the members of the Association.

NOTE B - 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.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. The Association has elected to be taxed as a homeowners' association under Section 528 of the Internal Revenue Code. This Section provides that the Association will be taxed only on nonexempt income as defined under Section 528. Net nonexempt function income, which includes interest earned and revenues received from nonmembers, is taxed at 30% by the federal government.

Members' Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Members' assessments received in advance are classified as prepaid assessments on the balance sheet. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. The Association considers all assessments receivable at December 31, 2005 to be fully collectible.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.****DECEMBER 31, 2005****NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**Statement of Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist of checking and money market accounts held by financial institutions.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. At December 31, 2005, the common property consists of a guard house, walls, streets, gates and recreation facilities.

As of December 31, 2005, the Association had not capitalized any equipment acquisitions.

Use of 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist of temporary cash investments. The Association places such assets with quality financial institutions. As of December 31, 2005, cash balances exceeded the insured amount by approximately \$151,000.

Property Developer Funding

The Association covenants state that the Property Developer will fund the operating expenses of the Association not covered by operating revenues until all of the units in the development are sold.

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The current budget provides for the segregation of a portion of the assessments for a reserve for future major repairs and replacements. Accumulated funds are held in separate bank accounts and generally are not available for operating purposes.

The funding program was based on a study performed by the Board of Directors in 2005 to estimate the remaining useful lives and the replacement costs of the common property components.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

DECEMBER 31, 2005

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS - CONTINUED

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Neither the Association documents nor the Florida Statutes require the accumulation of such reserves.

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SUPPLEMENTARY INFORMATION

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SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

FOX WOOD AT TRINITY COMMUNITY ASSOCIATION, INC.

December 31, 2005

The Board of Directors completed a study in 2005 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs.

The following is based on the study and presents significant information on the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>Components of Fund Balance at December 31, 2005</u>
Roads	7 - 10	\$ 484,500	\$ 146,216
Guard house	24	30,000	8,631
Gate system	4 - 5	17,000	12,952
Parks	8 - 27	64,300	19,279
Walls (painting)	1 - 2	21,800	11,294
		<u>\$ 617,600</u>	<u>\$ 198,372</u>

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See accountant's report.