

HANSON'S LANDING ASSOCIATION, INC.
STUART, FLORIDA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

For Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hanson's Landing Association, Inc.

I have audited the accompanying balance sheet of Hanson's Landing Association, Inc., as of December 31, 2010, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hanson's Landing Association, Inc. as of December 31, 2010 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.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of Revenues and Expenses vs. Budget is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Supplementary Information on Future Major Repairs and Replacements 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 applied certain limited procedures, which consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Gerald Jackson Jr. CPA
Port St Lucie, Florida
May 8, 2011

HANSON'S LANDING ASSOCIATION, INC.

Balance Sheet

December 31, 2010

	2010			2009
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
CASH, INCLUDING INTEREST BEARING ACCOUNTS	\$ 158,004	\$ 234,318	\$ 392,322	\$ 441,574
ASSESSMENTS RECEIVABLE	5,392	0	5,392	12,834
SPECIAL ASSESSMENTS RECEIVABLE	53,965	0	53,965	103,315
PREPAID CORPORATE INCOME TAXES	2,000	0	2,000	2,000
PREPAID INSURANCE	75,644	0	75,644	39,970
PREPAID OTHER	744	0	744	2,943
UTILITY DEPOSITS	665	0	665	665
TOTAL ASSETS	\$ 296,414	\$ 234,318	\$ 530,732	\$ 603,301
LIABILITIES AND FUND BALANCES				
ACCOUNTS PAYABLE	\$ 46,928	\$ 0	\$ 46,928	\$ 16,414
ACCRUED EXPENSES	9,686	0	9,686	10,005
PREPAID ASSESSMENTS	14,937	0	14,937	22,966
NOTE PAYABLE (NOTE 6)	0	0	0	114,131
DEFERRED ROOF ASSESSMENTS (NOTE 6)	65,473	0	65,473	65,473
TOTAL LIABILITIES	137,024	0	137,024	228,989
FUND BALANCES	159,390	234,318	393,708	439,785
RECLASSIFY ROOF ASSESS. (NOTE 6)	0	0	0	(65,473)
TOTAL LIABILITIES AND FUND BALANCES	\$ 296,414	\$ 234,318	\$ 530,732	\$ 603,301

Read the Accompanying Notes to Financial Statements.

HANSON'S LANDING ASSOCIATION, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
For Year Ended December 31, 2010

	2010			2009
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
MAINTENANCE FEES	\$ 511,568	\$ 100,000	\$ 611,568	\$ 765,576
SCREENING FEES	1,350	0	1,350	1,900
MISCELLANEOUS INCOME	4,529	15,000	19,529	624
INTEREST	1,469	2,757	4,226	3,367
INTEREST - OWNERS	8,883	0	8,883	13,574
BENCH DONATIONS	3,090	0	3,090	0
TOTAL REVENUES	530,889	117,757	648,646	785,041
<u>EXPENDITURES</u>				
ADMINISTRATION	242,529	0	242,529	316,101
UTILITIES	93,294	0	93,294	89,945
BUILDING & EQUIPMENT	80,427	0	80,427	93,358
GROUNDS	109,855	0	109,855	109,224
RECREATION MAINTENANCE	6,594	0	6,594	8,717
CONTRACT SERVICES	22,649	0	22,649	30,063
OTHER EXPENSES	0	0	0	9,805
INCOME TAXES	0	0	0	103
MAJOR REPAIRS - RESERVES	0	73,902	73,902	0
TOTAL EXPENDITURES	555,348	73,902	629,250	657,316
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(24,459)	43,855	19,396	127,725
FUND BALANCES, BEGINNING OF YEAR	183,849	190,463	374,312	246,587
FUND BALANCES, END OF YEAR	\$ 159,390	\$ 234,318	\$ 393,708	\$ 374,312

Read the Accompanying Notes to Financial Statements.

HANSON'S LANDING ASSOCIATION, INC.
Statement of Cash Flows
For Year Ended December 31, 2010

<u>INCREASE(DECREASE) IN CASH</u>	2010			2009
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 560,331	\$ 100,000	\$ 660,331	\$ 761,442
Cash Receipts From Special Assessment	0	0	0	105,060
Interest Income Received	1,469	2,757	4,226	3,367
Other Income Received	17,852	15,000	32,852	16,864
Cash Payments to Vendors and Suppliers	(558,628)	(73,902)	(632,530)	(631,783)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>21,024</u>	<u>43,855</u>	<u>64,879</u>	<u>254,950</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Change in Interfund Borrowing	0	0	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Note Payable	(114,131)	0	(114,131)	(40,869)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(114,131)</u>	<u>0</u>	<u>(114,131)</u>	<u>(40,869)</u>
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	<u>(93,107)</u>	<u>43,855</u>	<u>(49,252)</u>	<u>214,081</u>
CASH AT BEGINNING OF YEAR	251,111	190,463	441,574	227,493
CASH AT END OF YEAR	<u>\$ 158,004</u>	<u>\$ 234,318</u>	<u>\$ 392,322</u>	<u>\$ 441,574</u>
RECONCILIATION OF EXCESS OF ASSESSMENTS AND REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficit) of revenues over expenses	\$ (24,459)	\$ 43,855	\$ 19,396	\$ 127,725
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	7,442	0	7,442	(5,786)
Assessments Receivable-Special Assessments	49,350	0	49,350	105,060
Prepaid Insurance	(35,665)	0	(35,665)	13,635
Prepaid Expenses	2,199	0	2,199	2,247
Increase (Decrease) in:				
Accounts Payable	30,186	0	30,186	12,197
Assessments Received in Advance	(8,029)	0	(8,029)	1,652
Income Taxes Payable	0	0	0	(1,780)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 21,024</u>	<u>\$ 43,855</u>	<u>\$ 64,879</u>	<u>\$ 254,950</u>

Read the Accompanying Notes to Financial Statements.

HANSON'S LANDING ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PURPOSE

Hanson's Landing Association, Inc. was organized as a Florida not-for-profit corporation on November 2, 1984. The Association has been organized for the purpose of operating and maintaining the common property of the Association; to enforce the covenants, conditions, restrictions, and other provisions pursuant to Chapter 718 of the Florida Statutes, and as set forth in Declaration of Condominium, the Articles of Incorporation, the By-Laws, and rules and regulations of the Association. The condominium includes 186 condominium units in the Miles Grant area of Stuart, Florida. The common areas include the thirteen (13) buildings, a pool, tennis court and recreational facilities, carport and outside parking and driveway areas, irrigation system and pump, and common grounds and landscaping.

All policy decisions are formed by the Board of Directors except for those matters requiring membership approval under the provisions of Chapter 718, Florida Statutes (The Condominium Act).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements have been prepared pursuant to Section 718 of the Florida Statutes. The Association's governing documents provide certain guidelines for conducting 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 general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

Interest Earned:

Interest earned on replacement funds is retained in the replacement fund, in accordance with the Association's bylaws.

HANSON'S LANDING ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Real property and common areas acquired from the developer and 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. Other material personal property and equipment acquired by the Association are recorded as fixed assets in the year incurred.

Equipment is being depreciated over its estimated useful life using the straight-line method.

Member Assessments:

Association members are subject to monthly assessments in advance, to provide funds for the Association's operating expenses and a reserve for major repairs and replacements. Fiscal year monthly member assessments for 2010 were based upon the proportionate share of common expenses for the adopted budget. The annual budget and member assessments are determined and approved by the Board of Directors. The Association retains any excess assessments at year-end for use in future years. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are over ninety days in arrears.

Income Taxes:

Condominium associations may elect to be taxed either as regular corporations or as homeowners association. For the year ended December 31, 2010, the Association has elected to be taxed as a homeowners association in accordance with Internal Revenue Code Section 528. Under this section, the Association is taxed on its nonexempt function income, such as net investment earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

In June 2006, the Financial Accounting Standards Board prescribed a comprehensive model for how a company should measure, recognize, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The opinion was amended in 2009 to more accurately reflect the applicability to Not-For-Profit entities such as Associations. The Association has adopted this pronouncement as amended as of January 1, 2009.

Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2008, 2009, and 2010. However, the Association is not currently under audit and has not been contacted that a possible audit may be initiated.

HANSON'S LANDING 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 amount 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 expense during the reporting period. Actual results could differ from those estimates.

Cash Flows:

The Association presents changes in cash flows using the direct method.

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is required by Section 718 of the Florida Statutes to fund future major repairs and replacements. The Association's governing documents require funds be accumulated for future major repairs and replacements.

The Board is funding for such major repairs and replacements over the estimated useful lives of the components based on the Board of Directors update of current replacement costs, considering amount previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on the estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacement. If additional funds are needed, however, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Effective January 1, 2006, the Association membership approved the pooling method of funding and accounting for reserves.

The following table reflects the replacement fund assessments, interest income and expenditures during the current fiscal year, along with the beginning and closing balances by the various components:

HANSON'S LANDING ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

<u>RESERVES</u>	<u>Beginning Balance</u>	<u>Owner Funding</u>	<u>Current Year Interest</u>	<u>Expended</u>	<u>Refund</u>	<u>Ending Balance</u>
Pooled Reserves						
Roof	0	0	0	0	0	0
Roof Cleaning	0	0	0	0	0	0
Painting	0	0	0	0	15,000	0
Paving / Resurfacing	0	0	0	(29,616)	0	0
Capital Improvements	0	0	0	(34,241)	0	0
Pool Equipment & Deck	0	0	0	0	0	0
Erosion & Drains	0	0	0	0	0	0
Tennis Court	0	0	0	(10,045)	0	0
Pooling Method Funding	-	100,000	2,757	0	0	0
Totals	190,463	100,000	2,757	(73,902)	15,000	234,318

NOTE 4 – MANAGEMENT AGREEMENT

An outside management company, Advantage Property Management LLC, manages the Association. Advantage collects all receipts using a bank direct deposit system, pays all bills, maintains the association records, and prepares the monthly financial statements. Advantage also supervises the maintenance of the Association property pursuant to an annual contract, which may be terminated at either party's discretion with appropriate notice.

NOTE 5 – INSURANCE PREMIUMS

The Association finances most of its insurance premiums with Premium Assignment Corporation. Most property and casualty insurance requires a 25% down payment with the balance payable in nine equal monthly installments, including interest. As the Association makes down payments and installment payments, a prepaid insurance asset is created in those amounts. Prepaid insurance is then amortized over the twelve-month terms of the policies in equal monthly amounts. Therefore, the December 31, 2010, balance sheet shows a prepaid insurance asset, reflecting insurance premiums paid but not yet amortized. However, it does not show the amounts still due to Premium Assignment Corporation as a liability because that amount has not yet been paid or recorded as a prepaid insurance asset.

Flood insurance is paid-in-full upon annual renewal and then amortized over the term of the policy.

HANSON'S LANDING ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6- ROOF REPLACEMENT PROJECT AND ROOF LOAN

On July 30, 2008, the Board of Directors approved borrowing approximately \$750,000 from Fidelity Bank, Dearborn, Michigan for a period of up to 42 months, with the bank obtaining a security interest in the association's general and special assessments as collateral for this loan. The purpose of the loan was to provide funds for a major roofing project (roofs of all 13 buildings and pool house, maintenance building and two (2) pump houses) until a special assessment is implemented to repay this loan. The actual loan was for \$725,000, at the prevailing prime rate plus 1.5%, and the balance on this loan at December 31, 2010 was zero since the loan was paid in full on December 31, 2010.

Also, \$ 450,000 of available reserve funds were transferred from reserves and utilized for this project. Therefore, the total funds available for this project were \$1,175,400 (\$450,000 from available reserves plus \$725,400 roof special assessment).

As of December 31, 2008, a total \$ 1,109,927 had been expended on this project and it was completed in December 2008. The excess funds of \$ 65,474 from this special assessment were retained as part of the overall operating fund balance at December 31, 2008.

In 2009, these excess funds were segregated from the operating fund balance and disclosed as deferred special assessment income on the balance sheet.

At December 31, 2010 the \$65,474 remained as deferred special assessment income on the balance sheet.

NOTE 7 – SPECIAL ASSESSMENTS (PRIOR)

A special assessment of \$ 3,900 per unit (total of \$ 725,400) to repay the \$725,000 loan from Fidelity Bank was approved by the Board of Directors on August 19, 2008 and was due before November 30, 2008. Unit owners were given the option of paying this special assessment in full or in four annual equal installments. Those electing to pay by the installment method are required to pay a \$10 per year administrative fee plus interest at the prevailing prime rate plus 2.0%.

NOTE 8 – 2010 BUDGET

For the year ending December 31, 2010, \$93,868 of prior surplus operating funds were applied to the 2010 operating fund budget as a reduction of 2010 operating fund maintenance assessments. Generally accepted accounting principles do not allow this \$93,868 to be recorded as income in 2010.

HANSON'S LANDING ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – BANK BALANCES

Effective December 31, 2010 through December 31, 2012, as part of the Reform and Consumer Protection Act, all deposits held in non-interest bearing transaction accounts (checking accounts) are fully insured, regardless of the amount in the account, at all FDIC insured institutions. For all other bank accounts at each financial institution FDIC coverage is now permanently set at \$250,000 per depositor. At December 31, 2010 the uninsured amount on deposit by the association was \$99,715.

SUPPLEMENTARY

HANSON'S LANDING ASSOCIATION, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2010

	<u>2009</u>	<u>2010</u>		<u>%</u> <u>Variance</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
<u>REVENUES</u>				
MAINTENANCE FEES	653,976	511,568	511,568	0.0%
2009 OPERATING BALANCE CARRYOVER	0	0	93,868	0.0%
SCREENING FEES	1,900	1,350	1,200	12.5%
MISCELLANEOUS INCOME	624	4,529	0	0.0%
INTEREST	1,315	1,469	504	191.5%
INTEREST - OWNERS	13,574	8,883	600	1380.5%
BENCH DONATIONS	0	3,090	0	0.0%
TOTAL REVENUE	671,389	530,889	607,740	-12.6%
<u>EXPENSES:</u>				
ADMINISTRATION				
MANAGEMENT FEE	23,222	23,222	23,232	0.0%
LEGAL	6,142	6,813	7,500	9.2%
INSURANCE	263,882	200,704	197,340	-1.7%
LOAN INTEREST	14,599	3,231	0	0.0%
ACCOUNTING	3,300	3,300	3,300	0.0%
FEES AND LICENSES	381	749	540	-38.7%
FEES TO DIVISION	744	744	744	0.0%
OFFICE EXPENSE	3,709	3,673	6,000	38.8%
ENTERTAINMENT	122	93	504	81.5%
Total · ADMINISTRATION	316,101	242,529	239,160	-1.4%
UTILITIES				
ELECTRIC	19,549	15,420	19,800	22.1%
WATER / SEWER	7,421	6,632	7,680	13.6%
FEES TO MILES GRANT	1,243	6,012	9,720	38.1%
CABLE TV	60,038	63,644	63,636	0.0%
TELEPHONE	1,694	1,586	1,752	9.5%
Total · UTILITIES	89,945	93,294	102,588	9.1%
BUILDING & EQUIPMENT				
GENERAL BUILDING MAINTENANCE	31,333	15,589	30,000	48.0%
GOLF CART MAINTENANCE	975	524	600	12.7%
MAINTENANCE LABOR	45,627	47,736	47,736	0.0%
FIRE ALARM MAINTENANCE	13,141	8,538	14,400	40.7%
BENCH EXPENSES	0	4,717	0	0.0%
MISCELLANEOUS SUPPLIES	2,282	3,323	2,400	-38.5%
Total · BUILDING & EQUIPMENT	93,358	80,427	95,136	15.5%

Read the Accompanying Notes to Financial Statements.

HANSON'S LANDING ASSOCIATION, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2010

	<u>2009</u>	<u>2010</u>		<u>% Variance</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
<u>EXPENSES: (continued)</u>				
GROUND				
BASIC GROUND	54,112	53,409	53,412	0.0%
TREE TRIMMING & REMOVAL	8,868	10,513	12,000	12.4%
LAWN PEST CONTROL/FERTILIZER	9,102	9,598	9,036	-6.2%
SOD	0	0	1,200	100.0%
LANDSCAPE REPLACEMENT/PLANTS	6,491	7,170	6,000	-19.5%
IRRIGATION MAINTENANCE	13,736	13,504	13,200	-2.3%
MULCH	5,338	4,768	6,000	20.5%
BERM	2,841	2,804	2,868	2.2%
ORNAMENTAL PEST CONTROL	601	227	1,200	81.1%
ENCROACHMENT BARRIER	2,726	2,690	2,760	2.5%
LAKE TREATMENT	1,518	1,752	1,656	-5.8%
SHORELINE TRIM	3,891	3,420	3,600	5.0%
Total - GROUND	109,224	109,855	112,932	2.7%
RECREATION MAINTENANCE				
POOL MAINTENANCE	8,113	6,258	7,320	14.5%
PROPANE-BBQ GRILLS	604	336	480	30.0%
Total - RECREATION MAINTENANCE	8,717	6,594	7,800	15.5%
CONTRACT SERVICES				
TRASH REMOVAL	20,438	19,416	20,040	3.1%
TERMITE CONTROL	5,911	0	2,400	100.0%
ANT CONTROL	2,991	3,233	3,024	-6.9%
RODENT CONTROL	723	0	0	0.0%
Total - CONTRACT SERVICES	30,063	22,649	25,464	11.1%
OTHER EXPENSES				
CONTINGENCY/WORKING FUNDS	9,805	0	22,620	100.0%
Total - OTHER EXPENSES	9,805	0	22,620	100.0%
INCOME TAXES	103	0	2,040	100.0%
SPECIAL ASSESS.-ROOFS	0	0	0	0.0%
TOTAL EXPENSES	657,316	555,348	607,740	8.6%
NET SURPLUS (DEFICIT)	14,073	(24,459)	0	

Read the Accompanying Notes to Financial Statements.

HANSON'S LANDING ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
For Year Ended December 31, 2010

The Board of Directors reviewed its study in 2010 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from various sources; such as licensed contractors who inspected the property, invoices from the recent acquisition of replacement of certain common property, and telephone inquiries of licensed contractors for estimated costs to replace.

Effective January 1, 2006 the Association elected to use the pooling method to fund reserves.

<u>Component</u>	<u>Estimated Useful Life</u>		<u>Current Replacement Cost</u>	<u>Actual 2011 Funding</u>	<u>Replacement Fund Balance At 12/31/2010</u>
	<u>Original Years</u>	<u>Remaining Years</u>			
<u>POOLED RESERVE ITEMS:</u>					
ROOF-BUILDINGS	20	18	\$ 1,014,550		0
ROOFS-CARPORTS	25	20	280,000		0
PAINTING	7	2-5	203,028		0
PAVING / RESURFACING	25	23	175,000		0
POOL, EQUIPMENT AND DECK	7	4	8,500		0
CAPITAL IMPROVEMENTS	10	6	15,000		0
TOTAL POOLED ITEMS			\$ 1,696,078	\$ 84,996	\$ 234,318