

WATERLEAF HOMEOWNERS
ASSOCIATION, INC.
Jacksonville, Florida

FINANCIAL STATEMENTS
December 31, 2008

WATERLEAF HOMEOWNERS
ASSOCIATION, INC.

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Certified Public Accountant

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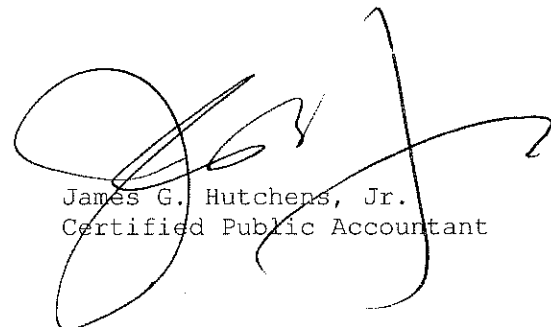
Board of Directors
Waterleaf Homeowners Association, Inc.
Jacksonville, Florida

I have reviewed the accompanying balance sheet of Waterleaf Homeowners Association, Inc. at December 31, 2008 and the related statements of revenues and expenses and net assets and cash flows for the year then ended in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A review consists principally of inquiries of 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, I do not express such an opinion.

Based on my review, I am 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.

April 19, 2009



James G. Hutchens, Jr.
Certified Public Accountant

WATERLEAF HOMEOWNERS
ASSOCIATION, INC.
Jacksonville, Florida

BALANCE SHEET
December 31, 2008

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 148,394	\$ 8,250	\$ 156,644
Assessments Receivable	255,850		255,850
Prepaid Expenses	4,190		4,190
Deposits	<u>2,365</u>		<u>2,365</u>
TOTAL ASSETS	<u>\$ 410,799</u>	<u>\$ 8,250</u>	<u>\$ 419,049</u>
 LIABILITIES AND NET ASSETS			
Accounts Payable	\$ 13,144	\$	\$ 13,144
Assessments Received in Advance	<u>302,430</u>		<u>302,430</u>
TOTAL LIABILITIES	315,574		315,574
Net Assets	<u>95,225</u>	<u>8,250</u>	<u>103,475</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 410,799</u>	<u>\$ 8,250</u>	<u>\$ 419,049</u>

See Accountant's Review Report.

WATERLEAF HOMEOWNERS
ASSOCIATION, INC.
Jacksonville, Florida

STATEMENT OF REVENUES, EXPENSES, AND NET ASSETS
For the Year Ended December 31, 2008

	Operating Fund	Replacement Fund	Totals
REVENUES			
Regular assessments	\$ 303,408	\$	\$ 303,408
Capital contributions	18,900		18,900
Interest income	393		393
Other income	<u>23,664</u>		<u>23,664</u>
	<u>346,365</u>		<u>346,365</u>
EXPENSES			
Amenities	105,718		105,718
Bad debts	256		256
Insurance	9,547		9,547
Landscaping	55,450		55,450
Major repairs and replacements		4,900	4,900
Management fees	37,697		37,697
Office expenses	8,539		8,539
Professional fees	16,303		16,303
Repairs and maintenance	28,813		28,813
Taxes	461		461
Utilities	<u>17,692</u>		<u>17,692</u>
Total Operating Expenses	<u>280,476</u>	<u>4,900</u>	<u>285,376</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	65,889	(4,900)	60,989
NET ASSETS, January 1, 2008	34,116	8,370	42,486
Transfers to Capital Reserves	<u>(4,780)</u>	<u>4,780</u>	
NET ASSETS, December 31, 2008	<u>\$ 95,225</u>	<u>\$ 8,250</u>	<u>\$ 103,475</u>

See Accountant's Review Report.

WATERLEAF HOMEOWNERS
ASSOCIATION, INC.
Jacksonville, Florida

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2008

	Operating Fund	Replacement Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenses	\$ 65,889	\$(4,900)	\$ 60,989
Adjustment to reconcile excess of revenues to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(7,470)		(7,470)
Other receivables	200	220	420
Prepaid expenses	(1,845)		(1,845)
Increase (decrease) in:			
Accounts payable	1,052		1,052
Other payables	(220)		(220)
Assessments received in advance	<u>7,794</u>		<u>7,794</u>
Net Cash Provided (Used) By Operating Activities	65,400	(4,680)	60,720
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer to capital reserves	<u>(4,780)</u>	<u>4,780</u>	
Net change in cash and cash equivalents	60,620	100	60,720
CASH AND CASH EQUIVALENTS, January 1, 2008	<u>87,774</u>	<u>8,150</u>	<u>95,924</u>
CASH AND CASH EQUIVALENTS, December 31, 2008	<u>\$ 148,394</u>	<u>\$ 8,250</u>	<u>\$ 156,644</u>

Supplemental disclosures of cash flow information:

Cash paid for income taxes	<u>\$ 0</u>
Cash paid for interest	<u>\$ 0</u>

See Accountant's Review Report.

WATERLEAF HOMEOWNERS
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Jacksonville, Florida

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1. NATURE OF ORGANIZATION

Waterleaf Homeowners Association, Inc. is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the Waterleaf development. The development consists of 577 residential units located in Jacksonville, Florida.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide for 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.

Member 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. The Association's policy is to retain legal counsel and place liens on the properties of homeowner's whose assessments are substantially delinquent.

Interest Income

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

Income Taxes

Homeowner's associations may be taxed as either homeowner's associations or regular corporations. Waterleaf Homeowners Association, Inc. has elected to be taxed as a homeowner's association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings. Exempt function income, which consists primarily of member assessments, is not taxable. The Association incurred no income taxes for the year ended December 31, 2008.

See Accountant's Review Report.

WATERLEAF HOMEOWNERS
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Jacksonville, Florida

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Association considers cash and cash equivalents to include checking accounts, money market accounts, and certificates of deposit maturing in six months or less.

The majority of the Association's cash is placed with one local banking institution. At times, the balances on deposit may exceed federally insured limits. To date, the Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities 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.

NOTE 3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$ 8,250 at December 31, 2008, are not available for operating purposes without prior approval of the Board of Directors. These funds are accumulated based upon a study performed by the developer which was used to determine the remaining useful lives and the replacement costs of common property components.

The Association will be funding such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, 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 future needs. If additional funds are needed, however, 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.

NOTE 4. DEFERRED REVENUE

Deferred revenue represents assessments received in advance and is recognized as income in the month the assessments are earned. As of December 31, 2008, the amount of deferred revenue from regular assessments was \$ 302,430.

See Accountant's Review Report.