

**KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2009**

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# **Tolley, Davis & Company, P.L.L.C.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

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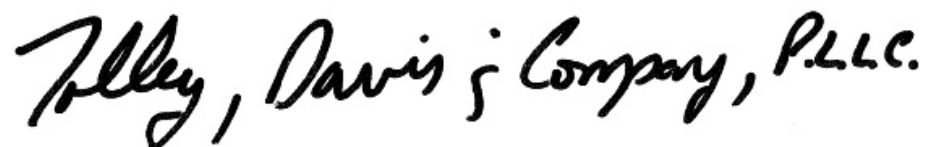
### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of  
Kendall Breeze Homeowners' Association, Inc.

We have audited the accompanying balance sheet of Kendall Breeze Homeowners' Association, Inc. as of December 31, 2009, and the related statements of revenues, expenses, and changes in fund balances and cash flows for year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Kendall Breeze Homeowners' Association, Inc. as of December 31, 2009, 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.



Tolley, Davis & Company, P.L.L.C.  
March 31, 2010

**KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2009**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total All Funds</b>
<b>ASSETS</b>			
Cash, including interest bearing deposits	\$ 352,492	\$ 997,701	\$ 1,350,193
Assessments receivable, net of allowance for uncollectible accounts of \$164,959	230,266	-	230,266
Prepaid expenses	9,907	-	9,907
Property and equipment, net of accumulated depreciation of \$29,693	13,859	-	13,859
Security deposits	20,566	-	20,566
Other receivables	2,500	-	2,500
Due (to) from other funds	73,790	(73,790)	-
 <b>TOTAL ASSETS</b>	 \$ 703,380	 \$ 923,911	 \$ 1,627,291
 <b>LIABILITIES AND FUND BALANCES</b>			
Unearned assessments	\$ 37,059	\$ -	\$ 37,059
<b>TOTAL LIABILITIES</b>	37,059	-	37,059
Fund balances	666,321	923,911	1,590,232
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 \$ 703,380	 \$ 923,911	 \$ 1,627,291

The accompanying notes are an integral part of the financial statements.

**KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total All Funds</b>
<b>REVENUES</b>			
Assessment fees	\$ 1,051,526	\$ 400,149	\$ 1,451,675
Late fees and interest charges	42,106	-	42,106
Facility, keys, printing, and other	53,986	-	53,986
Interest income	2,221	25,974	28,195
	1,149,839	426,123	1,575,962
<b>EXPENSES</b>			
Alarm monitoring	180,242	-	180,242
Bad debts	30,710	-	30,710
Bank service charges	4,580	-	4,580
Depreciation	4,753	-	4,753
Insurance	45,755	-	45,755
Interest	994	-	994
Janitorial	30,000	-	30,000
Landscaping and lawn maintenance	143,157	-	143,157
Legal and professional	19,541	-	19,541
Licenses and permits	571	-	571
Management fees	37,296	-	37,296
Miscellaneous	1,698	-	1,698
Office	204	-	204
Payroll burden	71,866	-	71,866
Postage and printing	20,830	-	20,830
Recreation facilities costs	14,220	-	14,220
Repairs and maintenance	61,339	774,828	836,167
Security	207,363	-	207,363
Telephone	10,992	-	10,992
Utilities	76,620	-	76,620
	962,731	774,828	1,737,559
<b>(DEFICIT) EXCESS OF REVENUES OVER EXPENSES</b>	187,108	(348,705)	(161,597)
<b>FUND BALANCES - BEGINNING OF YEAR</b>			
Capital contributed - prior period	136,933	-	136,933
Fund balance	342,280	1,272,616	1,614,896
	479,213	1,272,616	1,751,829
<b>FUND BALANCES - END OF YEAR</b>	\$ 666,321	\$ 923,911	\$ 1,590,232

The accompanying notes are an integral part of the financial statements.

**KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total All Funds</u>
<b>CASH FLOWS (USED) PROVIDED BY OPERATING ACTIVITIES</b>			
(Deficit) excess revenues over expenses	\$ 187,108	\$ (348,705)	\$ (161,597)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	4,753	-	4,753
(Increase) decrease in:			
Assessments receivable	(104,327)	-	(104,327)
Prepaid expenses	1,617	-	1,617
Security deposits	(2,500)	-	(2,500)
Other receivables	(2,500)	-	(2,500)
Interfund balances	2,717	(2,717)	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(31,923)	(30,000)	(61,923)
Unearned assessments	(7,220)	-	(7,220)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>47,725</u>	<u>(381,422)</u>	<u>(333,697)</u>
<b>CASH FLOWS (USED) BY FINANCING ACTIVITIES</b>			
Loan payments - principal	<u>(172)</u>	<u>-</u>	<u>(172)</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<u>(172)</u>	<u>-</u>	<u>(172)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	47,553	(381,422)	(333,869)
<b>CASH AT BEGINNING OF YEAR</b>	<u>304,939</u>	<u>1,379,123</u>	<u>1,684,062</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 352,492</u>	<u>\$ 997,701</u>	<u>\$ 1,350,193</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during the year for:		
Interest (net of amount capitalized)	\$	994

The accompanying notes are an integral part of the financial statements.

**KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE 1 ORGANIZATION**

The Association was incorporated on April 20, 2001, in the State of Florida as a not-for-profit corporation for the purpose of administering and operating common property pursuant to Chapter 720 of the Florida Statutes and the provisions of the Declaration of Covenants and Restrictions. The Association property consists of land, two clubhouses, one cabana, and three pools. The Association contains 4 types of living units: single family homes and town homes with lot widths of 35, 30, and 22 feet.

The Declaration of Covenants and Restrictions was recorded on August 21, 2002. The first unit was conveyed to a unit owner other than the developer on August 28, 2002.

Article V - Assessments, section 10, and Article VI - Use of Property, section 2 and section 8 were amended on April 28, 2005. Article V, section 10 of the Declaration of Covenants and Restrictions is deleted in its entirety and restated to include provisions for late fees. Article VI, section 2 of the Declaration of Covenants and Restrictions is deleted in its entirety and is restated to require approvals of leases of a Lot by the Board of Directors. Article VI, section 8 of the Declaration of Covenants and Restrictions is restated to require approval by the Association for the sale of a lot and/or living unit.

**NOTE 2 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 repairs and replacements.

Disbursements from the Operating Fund are generally at the discretion of the Board of Directors. Disbursements from the Replacement Fund generally may be made only for designated purposes by the Board of Directors.

**Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Member Assessments**

Association members are subject to monthly assessments to provide funds for the Association's operating expenses. Each living unit that has been certified for occupancy and has been conveyed to an owner other than the developer shall be assessed at a rate that is uniform with other similar types of living units. The annual budget and assessments of owners are determined and approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

**KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Prepaid Expenses**

Prepaid expenses consist of unexpired insurance and other operating expenses.

**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. Those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-lined method. The Association also recognizes real property not directly associated with the units as assets when the Association has title and can dispose of the property, at the discretion of its Board of Directors, for cash, with the Association retaining the proceeds.

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

**Income Taxes**

The Association is classified as a non-exempt organization for both federal and state income tax purposes for the year ended December 31, 2009. The Association is subject to specific rulings and regulations applicable to non-exempt membership organizations. The Association will file its income tax return as a regular corporation under Section 528 of the Internal Revenue Code and does not project to incur a federal or state income tax liability for the year ended December 31, 2009. The Association's investment income and other non-exempt income net of certain expenses should result in no taxable income.

**Interest Earned**

The Board's policy is to allocate investment income to the Operating and Replacement Funds based upon average balances.

**Recently Issued Accounting Standards**

In May 2009, the Financial Accounting Standards Board issued SFAS 165, "Subsequent Events", which establishes standards of accounting for the disclosure of events that occur after the balance sheet date but before financial statements are issued or ready to be issued. SFAS 165 was adopted for the year ending December 31, 2009. The adoption did not have a material impact on Kendall Breeze Homeowners Association's results of operations, financial position, or cash flow. Kendall Breeze has evaluated subsequent events through March 31, 2010, which is the date the financial statements were issued.

**KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost and consist of the following:

Awnings	\$	4,740
Blinds		1,108
Computer equipment		4,114
Electronic equipment		6,700
Furniture and equipment		8,963
Garbage containers		5,602
Golf cart		3,345
Pool gate access equipment		8,980
		43,552
Less: accumulated depreciation		29,693
		\$ 13,859

**NOTE 4 COMMITMENTS, CONTRACTS AND OTHER MATTERS**

The Association is committed with contracts for services as follows:

	Monthly Expense	Contract Expires
Dell Financial Services, Inc.	\$ 174	2010
Michael K. Fish, C.P.A., P.A.	3,108	2010
Monarch Security Services, Inc.	18,842	2010
Salman Landscape Services, Inc.	7,300	2010
Proman Group, LLC	2,500	2010
United Communication and Protection, Inc.	17,094	2013

The Association is located within a Community Development District, hereinafter referred to as "CDD." The CDD shall be responsible to finance, construct and maintain some or all of the public infrastructure including but not limited to water system, sewer system, drainage system and roadway system will be owned, operated and maintained by the CDD.

The Association entered into a contract with Michael K. Fish, CPA, P.A. and work commenced on January 1, 2007. Michael K. Fish, CPA, P.A. provides accounting services, annual budgeting, financial statements, year end statements, and tax preparation. A director of the Association's Board of Directors is an employee of the firm that was contracted to perform the accounting services for the Association. This director was not involved in the selection of the accounting firm or negotiations of the contract. The director will not be compensated directly or indirectly and has no role in signing checks on any of the bank accounts.

On July 29, 2008, the Association approved to engage Roy's Painting to perform community painting in the amount of \$914,900. Work began and was completed during 2009.

**NOTE 5 UNINSURED CASH BALANCES**

The Association maintains its cash balance at a financial institution located in South Florida. The account is insured up to \$250,000 for the year ended December 31, 2009. The Association did not have any uninsured cash balances at December 31, 2009.

**KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE 6 FUTURE MAJOR REPAIRS AND REPLACEMENTS**

An independent study to determine the estimated remaining useful lives and the replacement costs of the components of common property was performed on February 15, 2006. The Association's Board of Directors has not made any adjustments since the prior reserve study.

	<b>Fund Balance Beginning of Period</b>	<b>Additions to Fund</b>	<b>Interest Allocated</b>	<b>Charges to Fund</b>	<b>Fund Balance End of Period</b>
Cabana	\$ 28,179	\$ -	\$ 575	\$ -	\$ 28,754
Clubhouse phase I	79,898	-	1,631	-	81,529
Clubhouse phase II	37,643	-	768	-	38,411
Exterior features	313,382	-	6,348	-	349,730
Fountain phase I	(2,327)	-	-	-	(2,327)
Fountain phase II	27,580	-	563	-	28,143
Insurance deductible	68,140	-	1,391	-	69,531
Irrigation system	21,229	-	433	-	21,662
Mailboxes cabana	14,980	-	306	-	15,286
Mailboxes phase I	13,230	-	270	-	13,500
Mailboxes phase II	14,980	-	306	-	15,286
Painting – entrance	14,860	-	303	-	15,163
Painting - exterior (22 foot town home)	240,874	299,911	4,916	(562,098)	(16,397)
Painting - exterior (30 foot town home)	49,829	51,807	1,017	(99,233)	3,420
Painting - exterior (35 foot town home)	31,749	48,431	648	(113,497)	(32,669)
Painting - recreational room	5,489	-	112	-	5,601
Pool - deck resurfacing	6,631	-	135	-	6,766
Pool – equipment	5,764	-	118	-	5,882
Pool – furniture	339	-	7	-	346
Pool – resurfacing	11,742	-	240	-	11,982
Recreational room – furniture	3,470	-	71	-	3,541
Roof - 22 foot town home	221,743	-	4,526	-	226,269
Roof - 30 foot town home	45,797	-	1,099	-	46,896
Roof - recreational room	9,375	-	191	-	9,566
Roof Exterior painting - (35 x 65)	8,040	-	-	-	8,040
<b>Total</b>	<b>\$ <u>1,272,616</u></b>	<b>\$ <u>400,149</u></b>	<b>\$ <u>25,974</u></b>	<b>\$ <u>(774,828)</u></b>	<b>\$ <u>923,911</u></b>

The Association's governing documents allow for funds to be accumulated for future repairs and replacements. The Association's Board of Directors voted to fund for certain major repairs and replacements for the period January 1, 2009 through December 31, 2009.

The roofs of the 35 foot town home living units are not provided for in the accumulation of future major repairs and replacements such as the 30 and 22 foot town homes.

**SUPPLEMENTARY INFORMATION**

# **Tolley, Davis & Company, P.L.L.C.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

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### **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors and Members of  
Kendall Breeze Homeowners' Association, Inc.

Our report on our audit of the basic financial statements of Kendall Breeze Homeowners' Association, Inc. as of December 31, 2009 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information on Future Repairs and Replacements for the year ended December 31, 2009 on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Tolley, Davis & Company, P.L.L.C.*

Tolley, Davis & Company, P.L.L.C.  
March 31, 2010

**KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2009**

An independent engineer conducted a study in February 15, 2006 to estimate 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 at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

<b>COMPONENTS</b>	<b>ESTIMATED REMAINING USEFUL LIFE (YEARS)</b>		<b>ESTIMATED CURRENT REPLACEMENT COST</b>		<b>REPLACEMENT FUND BALANCE AT DECEMBER 31, 2009</b>
Common area exterior	2-17	\$	113,366	\$	353,271
HVAC equipment	7-18		20,900		-
Mailboxes	22		78,400		44,072
Painting & waterproofing	2-7		43,550		(16,842)
Pools	7-18		139,543		24,976
Roof replacement	1-28		69,684		282,731
Site improvement	8-22		397,508		174,510
<b>TOTALS</b>		\$	862,951	\$	832,718
					91,193
				Total Reserve Fund Balance	\$ 923,911