

Hideaway Village  
Condominium Association, Inc.

Report on Review  
of Financial Statements

For the Year Ended December 31, 2007

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The Board of Directors  
Hideaway Village Condominium Association, Inc.  
Buzzards Bay, Massachusetts

I have reviewed the accompanying balance sheet of Hideaway Village Condominium Association, Inc. as of December 31, 2007, and the related statements of revenues, expenses and 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 Hideaway Village Condominium Association, Inc.

A review consists principally of inquiries 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.

The Hideaway Village Condominium Association, Inc. has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the Supplementary Information on Future Major Repairs and Replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements.



Patricia G. Cobb  
Certified Public Accountant  
May 22, 2008

HIDEAWAY VILLAGE CONDOMINIUM ASSOCIATION, INC.

Balance Sheet  
December 31, 2007

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and money market funds	\$ 64,130	\$ 84,029	\$ 148,159
Certificates of deposit	-	150,331	150,331
Assessments receivable, net of allowance for doubtful accounts of \$12,000	58,978	-	58,978
Prepaid expenses	6,166	-	6,166
Fixed assets, net of accumulated depreciation of \$59,480 and \$3,452	<u>41,154</u>	<u>31,064</u>	<u>72,218</u>
	<u>\$ 170,428</u>	<u>\$ 265,424</u>	<u>\$ 435,852</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable & accrued expenses	\$ 4,742	\$ -	\$ 4,742
Assessments paid in advance	12,043	-	12,043
Payroll liabilities	2,188	-	2,188
Interfund balance	(7,827)	7,827	-
Deferred income	<u>67,445</u>	<u>-</u>	<u>67,445</u>
Total Liabilities	78,591	7,827	86,418
Fund Balance	<u>91,837</u>	<u>257,597</u>	<u>349,434</u>
	\$ 170,428	\$ 265,424	\$ 435,852

See accountant's review report  
and notes to financial statements.

HIDEAWAY VILLAGE CONDOMINIUM ASSOCIATION, INC.

Statement of Revenues, Expenses and Fund Balance  
For the year ended December 31, 2007

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Revenues:			
Member assessments	\$ 172,550	\$ 27,200	\$ 199,750
Interest income	5,235	11,153	16,388
Gain on sale of vehicle	7,827	-	7,827
Interest and other income	<u>20,136</u>	<u>-</u>	<u>20,136</u>
	205,748	38,353	244,101
Expenses:			
General maintenance	17,789	12,933	30,722
Insurance	15,017	-	15,017
Office expenses	17,921	-	17,921
Payroll and related expenses	94,679	-	94,679
Sewer	16,260	-	16,260
Vehicle	9,115	-	9,115
Accounting and legal	32,710	-	32,710
Taxes	2,086	-	2,086
Depreciation	3,207	3,452	6,659
Miscellaneous	1,726	-	1,726
Street and garage lighting	<u>3,115</u>	<u>-</u>	<u>3,115</u>
	<u>213,625</u>	<u>16,385</u>	<u>230,010</u>
Excess (deficit) of revenues over expenses	(7,877)	21,968	14,091
Fund balance, beginning of year	215,573	233,664	449,237
Prior period adjustments	<u>(113,894)</u>	<u>-</u>	<u>(113,894)</u>
Fund balance, beginning of the year, as restated	101,679	233,664	335,343
Transfer of 2006 operating surplus	<u>(1,965)</u>	<u>1,965</u>	<u>-</u>
Fund balance, end of year	<u>\$ 91,837</u>	<u>\$ 257,597</u>	<u>\$ 349,434</u>

See accountant's review report  
and notes to financial statements.

HIDEAWAY VILLAGE CONDOMINIUM ASSOCIATION, INC.

Statement of Cash Flows  
For the year ended December 31, 2007

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficit) of revenues over expenses	\$ (7,877)	\$ 21,968	\$ 14,091
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:			
Allowance for doubtful accounts	11,500	-	11,500
Depreciation	3,207	3,452	6,659
Gain of sale of asset	(7,827)	-	(7,827)
Changes in assets and liabilities:			
Assessments receivable	(21,362)	-	(21,362)
Prepaid expenses	(2,366)	-	(2,366)
Accounts payable & accrued expenses	(813)	-	(813)
Assessments paid in advance	(4,891)	-	(4,891)
Payroll liabilities	390	-	390
Deferred income	4,778	-	4,778
Total adjustments	<u>(17,384)</u>	<u>3,452</u>	<u>(13,932)</u>
Net cash provided by (used in) operating activities	(25,261)	25,420	159
CASH FLOWS FROM INVESTING:			
Cash payment for vehicle	-	(26,689)	(26,689)
Increase in certificates of deposit	<u>-</u>	<u>(7,019)</u>	<u>(7,019)</u>
Net cash used in investing activities	<u>-</u>	<u>(33,708)</u>	<u>(33,708)</u>
CASH FLOWS FROM FINANCING:			
Interfund balances	<u>(5,112)</u>	<u>5,112</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(5,112)</u>	<u>5,112</u>	<u>-</u>
NET DECREASE IN CASH	(30,373)	(3,178)	(33,551)
CASH AND MONEY MARKET FUNDS, BEGINNING OF YEAR	<u>94,503</u>	<u>87,207</u>	<u>181,710</u>
CASH AND MONEY MARKET FUNDS, END OF YEAR	<u>\$ 64,130</u>	<u>\$ 84,029</u>	<u>\$ 148,159</u>
ADDITIONAL CASH FLOW INFORMATION:			
Income taxes paid	<u>\$ 834</u>	<u>\$ -</u>	<u>\$ 584</u>

See accountant's review report  
and notes to financial statements.

HIDEAWAY VILLAGE CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements  
For the year ended December 31, 2007

A. History and Purpose of the Organization:

Hideaway Village Condominium Association, Inc., (the Association) was incorporated under the provisions of Massachusetts Chapter 183A on March 31, 1983 to administer and manage the common areas on behalf of the homeowners. The Association consists of 269 residential homes located on approximately 28 acres in Buzzards Bay, Massachusetts.

B. Summary of Significant Accounting Policies:

Fund accounting -

To ensure the 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.

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

Revenue -

Revenue is derived from assessments to unit owners, which is based on estimates of the amount of common expenses expected to be incurred during each year and desired increases to reserve funds. The homeowners are liable for the common expenses and are entitled to common profits in proportion to their respective percentages of assessments as described in the bylaws.

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 homeowners in common and not by the Association. Under generally accepted accounting practices for common area realty associations (CIRAs) real property is only capitalized if it generates significant cashflows or if there is no limitation on the ability of the Association to sell or otherwise dispose of the these assets and retain the proceeds. The Association capitalizes personal property to which it has title at cost. Depreciation on personal property is recorded using the straight-line method over a five-year period.

Income taxes -

Condominium associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2007, the Association was taxed as regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and an association is taxed only on its nonmembership income, such as interest earnings, at regular federal corporate income tax rates. For state income tax purposes, the Association is taxed as regular corporation at a 9½% rate and is subject to a minimum excise tax of \$456.

See accountant's review report.

B. Summary of Significant Accounting Policies, continued:

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Assessments:

The annual budget and assessments are determined by the Board of Directors. The Association retains the excess operating funds at the end of the year, if any, for use in the future operating periods.

The Association's policy is to retain legal counsel and if necessary, place liens on the properties of the homeowners whose assessments are excessively delinquent. Under Massachusetts law, a condominium has a priority lien on the first six months of unpaid assessments.

Regular assessments for the year ended December 31, 2007 were \$199,750. Of that amount, \$27,200 was designated for the reserve fund.

D. Fixed Assets:

Fixed assets at December 31, 2007 was composed of the following:

	<u>Operating Fund</u>	<u>Reserve Fund</u>
Office building	\$ 54,564	\$ -
Vehicles	13,489	34,516
Playground equipment	12,679	-
Maintenance equipment	19,295	-
Office equipment	<u>607</u>	<u>-</u>
	100,634	34,516
Less accumulated depreciation	<u>(59,480)</u>	<u>(3,452)</u>
	<u>\$ 41,154</u>	<u>\$ 31,064</u>

E. Prior Period Adjustments:

During the review of the financials for the year ended December 31, 2007 certain financial reporting errors came to light that required adjustments to opening balances as reported by the prior year accountant. These adjustments were as follows:

Capitalization of assets nor in accordance with CIRA accounting guidelines	\$ 153,233
Depreciation expense on those assets	(21,047)
Change to generally accepted accounting method of depreciation on remaining assets	(10,784)
Correction in the reporting of deferred revenue	(3,915)
Correction in the reporting of prepaid expenses	(3,800)
Correction in the reporting of liabilities	2,127
Correction in the reporting of receivables	<u>(1,920)</u>
Total	<u>\$ 113,894</u>

This amount is presented on the statement of revenues, expenses and fund balance as a reduction of the prior year's operating fund balance.

See accountant's review report.

G. Future Major Repairs and Replacements:

The Association has not conducted a formal study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. When funds are required to meet future needs for major repairs and replacements, the Association may need to borrow, increase maintenance assessments, or delay repairs and maintenance until funds are available. The effect on future assessments has not been determined.