

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
MOORELAND ESTATES  
HOMEOWNERS ASSOCIATION, INC.**

**DECEMBER 31, 2007**

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Board of Directors  
Mooreland Estates Homeowners Association, Inc.  
Brentwood, Tennessee

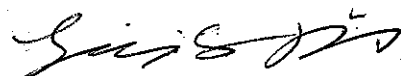
Independent Auditor's Report

I have audited the accompanying balance sheet of Mooreland Estates Homeowners Association, Inc. as of December 31, 2007, and the related statements of revenues, expenses, and changes in members' equity, 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 Mooreland Estates Homeowners Association, Inc. as of December 31, 2007, 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.

As discussed in Note D, the Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that will be required in the future that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of the basic financial statements.



Larry F. Bishop, CPA  
July 30, 2008

MOORELAND ESTATES HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET  
December 31, 2007

ASSETS

Current Assets:	
Cash - operations	56,277.62
Reserve, replacement and unrestricted accounts.	<u>58,802.31</u>
	<u>115,079.93</u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:	<u>0.00</u>
Members' equity:	<u>115,079.93</u>
Total members' equity	<u>115,079.93</u>

See independent auditor's report and notes

MOORELAND ESTATES HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN MEMBERS' EQUITY

For the year ended December 31, 2007

Revenues:

Maintenance Fees and Assessments	412,566.76
Interest Income	3877.04
Late Charges	2,390.00
Clubhouse Rent and Renovation	4,365.77
Other Income	1,894.40
Insurance Proceeds	<u>16,622.32</u>
Total Revenue	<u>441,716.29</u>

Expenses:

Utilities and Trash Removal	149,293.66
Pest Control	1,411.00
Repairs and Maintenance	29,720.86
Lawn Care	28,076.60
Landscaping	4,662.37
Office Expenses	1,287.19
Management Fee	21,804.75
Legal and Professional	2,861.82
Insurance	20,826.00
Pool Expense	10,335.48
Miscellaneous	<u>4,673.97</u>
Total Operating Expenses	<u>274,953.70</u>
Excess Revenues Over Expenses from Operations	<u>166,762.59</u>

Reserve Expenses:

Roofs	44,700.00
Painting	59,988.22
Guttering and trim	<u>88,491.29</u>
Total Reserve Expenses	<u>193,179.51</u>

Net Expenses over Revenue (26,416.92)

Members' Equity at Beginning of Year 141,496.85

Members' Equity at End of Year 115,079.93

See independent auditor's report and notes

MOORELAND ESTATES HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2007

Net Cash flows from operating activities:

Net expenses over revenue	<u>-26,416.92</u>
Net increase (decrease) in cash from operating activities	<u>-26,416.92</u>

Cash flows from investing activities:

Transfers from reserve and replacement account	<u>66,122.96</u>
Net cash provided by investing activities	<u>66,122.96</u>
Net Increase in Cash	39,706.04
Cash - beginning of period	<u>16,571.58</u>
Cash - end of period	<u>56,277.62</u>

See auditor's report and notes

MOORELAND ESTATES HOMEOWNERS ASSOCIATION, INC.  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note A – Organization:

Mooreland Estates Homeowners Association, Inc. was incorporated in the State of Tennessee. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 149 residential units in Williamson County, Tennessee.

The Association has exemption from federal income tax under the provisions of Section 528 of the Internal Revenue Code. Only income other than exempt function income is subject to federal income tax, and this income is subject to related deductions before computing the tax.

A Board of Directors elected and/or appointed in accordance with the by-laws governs the Association. Actual day-to-day operations are contracted with an independent management company, who handles all collections, disbursements, bookkeeping, maintenance and repairs, and other management duties.

Note B – Summary of Significant Accounting Policies:

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposit in the operating account at banks.

Maintenance Fees and Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisition, and major repairs and replacements. Special assessments may be made in accordance with the provisions as set forth in the by-laws, if any, for funding of major repairs and replacements. Legal counsel may be employed to help in the collection of delinquent accounts. Any excess fees/assessments at year-end are retained by the Association for use in future years

MOORELAND ESTATES HOMEOWNERS ASSOCIATION, INC.  
NOTES TO AUDITED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note C – Uninsured Cash Balances:

The Association maintains the following bank accounts:

Checking Account, Tennessee Commerce Bank	56,277.62
Money Market, Tennessee Cumberland Bank	<u>58,802.31</u>
	<u>115,079.93</u>

The Federal Deposit Insurance Corporation insures these accounts up to \$100,000.00 at each bank.

Note D – Future Repairs and Replacements:

The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect of future assessments has not been determined at this time.

Though the Association has not conducted the above mentioned study, the Association does maintain a five year capital plan and that plan is reviewed and updated each year by a committee of members. The Association funds the next year's capital budget during the present year. By doing so, the entire capital budget is available at the beginning of the year.

Note E – Reserve Account Transactions:

Beginning balance, January 1, 2007	124,925.27
Interest earned	<u>3,877.04</u>
	128,802.31
Transfers out	<u>70,000.00</u>
Ending Balance, December 31, 2007	<u>58,802.31</u>



MOORELAND ESTATES HOMEOWNERS ASSOCIATION, INC.  
NOTES TO AUDITED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE F – CONTINGENT LIABILITIES

In early 2006, four units at Mooreland Estates suffered a total loss in a fire. These units were covered by insurance. Through December 31, 2007, the Association has received \$459,716.00 from the insurance company. This money has been deposited into a separate bank account at Tennessee Commerce Bank. This account is being used only for the replacement of those units. Activities in this account are not included in the financial statements of the Association. At December 31, 2007 the account had a balance of \$2,144.96. Through December 31, 2007, interest of \$21,416.18 has been deposited into this account, and replacement costs of \$478,987.22 has been paid out of this account. The Association has a contract with Restoration Solutions, Inc. in the amount of \$689,696.53 to replace these units. Management believes the insurance will cover the costs that remain.