

**Cardinal Cove
Homeowners'
Association, Inc.**

**Financial Statements
For The Year Ended
December 31, 2007**



Certified Public Accountants

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Cardinal Cove Homeowners Association, Inc.:

We have reviewed the accompanying balance sheet of Cardinal Cove Homeowners Association, Inc., (an Indiana Corporation) as of December 31, 2007 and the related statements of revenues and expenses and changes in fund balances (deficit) 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 management of Cardinal Cove Homeowners Association, Inc.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The supplemental information on future 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. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

March 22, 2008

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2007

	Operating Fund	Reserve Fund	2007 Total <u>All Funds</u>	2006 Total <u>All Funds</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 6,062	\$ 36,088	\$ 42,150	\$ 49,262
Member assessments receivable	4,452	-	4,452	1,966
Prepaid insurance	374	-	374	383
Total current assets	<u>\$ 10,888</u>	<u>\$ 36,088</u>	<u>\$ 46,976</u>	<u>\$ 51,611</u>
<u>Liabilities and Fund Balances (Deficit)</u>				
Current liabilities				
Accounts payable	\$ 1,447	\$ -	\$ 1,447	\$ 312
Prepaid member assessments	144	-	144	150
Accrued real estate taxes	-	-	-	915
Total current liabilities	1,591	-	1,591	1,377
Fund balances (deficit)				
Fund balances (deficit)	<u>9,297</u>	<u>36,088</u>	<u>45,385</u>	<u>50,234</u>
Total liabilities and fund balances (deficit)	<u>\$ 10,888</u>	<u>\$ 36,088</u>	<u>\$ 46,976</u>	<u>\$ 51,611</u>

See accompanying notes and accountant's review report.

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Operating Fund	Reserve Fund	2007 Total All Funds	2006 Total All Funds
Revenues				
Member assessments	\$ 30,830	\$ 2,000	\$ 32,830	\$ 32,830
Interest income	373	645	1,018	781
Miscellaneous income	4,290	-	4,290	1,921
Total revenues	35,493	2,645	38,138	35,532
Expenses				
Management fees	5,988	-	5,988	5,814
Professional fees	5,165	-	5,165	2,188
Administrative expenses	1,013	-	1,013	766
Bad debt	680	-	680	-
Utilities	4,859	-	4,859	3,581
Snow removal	2,408	-	2,408	255
Mowing	3,414	-	3,414	3,216
Lawn treatment	915	-	915	905
Tree and shrub care	4,066	-	4,066	4,837
Bed weeding	836	-	836	-
Lake treatment	618	-	618	616
Common area maintenance	1,056	-	1,056	512
Real estate taxes	(915)	-	(915)	915
Property insurance	756	-	756	778
Contingency	15	-	15	240
Reserve expenses	-	12,113	12,113	-
Total expenses	30,874	12,113	42,987	24,623
Excess of revenues over (under) expenses	4,619	(9,468)	(4,849)	10,909
Interfund transfer	(16,150)	16,150	-	-
Fund balances (deficit), beginning of year	20,828	29,406	50,234	39,325
Fund balances (deficit), end of year	\$ 9,297	\$ 36,088	\$ 45,385	\$ 50,234

See accompanying notes and accountant's review report.

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Operating Fund	Reserve Fund	2007 Total All Funds	2006 Total All Funds
Cash flows from operating activities:				
Member assessments collected	\$ 28,338	\$ 2,000	\$ 30,338	\$ 28,693
Cash paid for operating expenditures	(30,645)	(12,113)	(42,758)	(24,833)
Interest income	373	645	1,018	781
Miscellaneous income	4,290	-	4,290	1,921
Net cash provided by (used in) operating activities	2,356	(9,468)	(7,112)	6,562
Cash flows from financing activities:				
Interfund transfers	(16,150)	16,150	-	-
Net increase (decrease) in cash and cash and cash equivalents	(13,794)	6,682	(7,112)	6,562
Cash and cash equivalents, beginning of year	19,856	29,406	49,262	42,700
Cash and cash equivalents, end of year	\$ 6,062	\$ 36,088	\$ 42,150	\$ 49,262
Reconciliation of excess of revenues over (under) expenses to net cash provided by (used in) operating activities:				
Excess of revenues over (under) expenses	\$ 4,619	\$ (9,468)	\$ (4,849)	\$ 10,909
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
Member assessments receivable	(2,486)	-	(2,486)	722
Prepaid insurance	9	-	9	12
Accounts payable	1,135	-	1,135	(249)
Prepaid member assessments	(6)	-	(6)	(4,859)
Accrued real estate taxes	(915)	-	(915)	27
Net cash provided by (used in) operating activities	\$ 2,356	\$ (9,468)	\$ (7,112)	\$ 6,562

See accompanying notes and accountant's review report.

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. ORGANIZATION

Cardinal Cove Homeowners Association, Inc. (the "Association") is a not-for-profit association incorporated in the State of Indiana on November 22, 1985 and consists of 134 residential units located in Indianapolis, Indiana. The Association was formed to maintain common areas and provide exterior maintenance at Cardinal Cove. Each homeowner in Cardinal Cove becomes a member in the Association and is assessed an annual fee used for the above-mentioned maintenance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income and expense recognition. The Association's policy is to prepare its financial statements on the accrual basis of accounting. This means that income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or disbursed at the time.

Fund accounting. The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating funds are generally at the discretion of the Board of Directors and property manager. Disbursements from the reserve fund generally may be made only for designated purposes.

Interest earned. The Association's policy is to allocate interest earned on the reserve fund cash balances to the reserve fund.

Member assessments. Association members are subject to an annual assessment to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess assessments at year-end are retained by the Association for use in future years.

The 2007 fees were assessed annually at \$245 per unit.

The annual budget and assessments of owners are determined by the Board of Directors.

Donated services. The Association's Board of Directors and its officer's serve without compensation. These donated services are not recorded in the financial statements.

Income taxes. The Association has elected to file as a homeowner association in accordance with Code Section 528 of the Internal Revenue Code. As a homeowner association, membership income is exempt from taxation, while the Association is taxed on its non-membership income, such as interest earnings.

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Estimates. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 those estimates.

Member assessments receivable. The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. The direct write off method is not in accordance with accounting principles generally accepted in the United States of America ("GAAP"); however its use in these financial statements does not constitute a material departure from GAAP. During the year ended December 31, 2007, the Association determined that \$680 was uncollectible and was recorded as bad debt expense at December 31, 2007.

3. RELATED PARTY TRANSACTIONS

The Association has employed Kirkpatrick Management Company, Inc. as its management agent, for an original term of one year. At the expiration of each term, the agreement will be extended for a period of one year upon approval of the following year's operating budget. For the year ended December 31, 2007, management fees of \$5,988 were earned and paid.

The management company provided various maintenance and administrative services to the Association. During the year ended December 31, 2007, they were paid \$1,199 for the following services:

Professional fees	\$ 675
Administrative expenses	372
Common area maintenance	<u>152</u>
	<u>\$ 1,199</u>