# MADISON GREEN MASTER ASSOCIATION, INC.

## FINANCIAL STATEMENTS

## DECEMBER 31, 2010

INDEPENDENT AUDITORS' REPORT

Board of Directors and Unit Owners
Madison Green Master Association, Inc.

Dear Members:

We have audited the accompanying balance sheet for Madison Green Master Association, Inc., as of December 31, 2010, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association. 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 Madison Green Master Association, Inc., as of December 31, 2010, 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.

The supplementary information on future major repairs and replacements, as required by the American Institute of Certified Public Accountants and the detailed statement of operating revenues and expenses - budget comparison are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to 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.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Certified Public Accountants
Boca Raton, Florida

April 9, 2011

# MADISON GREEN MASTER ASSOCIATION, INC.

## BALANCE SHEET

## December 31, 2010

| | OPERATING FUND | REPLACEMENT FUND | TOTAL |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 200,948 | $ 420,906 | $ 621,854 |
| Unit Owner Receivable | 638,733 | | 638,733 |
| Allowance for Uncollectible | (419,853) | | (419,853) |
| Prepaid Expenses | 3,027 | | 3,027 |
| Prepaid Insurance | 40,644 | | 40,644 |
| Utility Deposits | 6,570 | | 6,570 |
| **TOTAL ASSETS** | $ 470,069 | $ 420,906 | $ 890,975 |
| **LIABILITIES** | | | |
| Accounts Payable | $ 7,797 | $ | $ 7,797 |
| Insurance Payable | 35,691 | | 35,691 |
| Accounts Payable - Legal Fees | 27,333 | | 27,333 |
| ARC Deposits | 8,940 | | 8,940 |
| Prepaid Maintenance Fees | 73,408 | | 73,408 |
| Deferred Cable Income | 134,180 | | 134,180 |
| **TOTAL LIABILITIES** | 287,349 | | 287,349 |
| **MEMBERS' EQUITY** | | | |
| Fund Balance | 182,720 | 420,906 | 603,626 |
| **TOTAL LIABILITIES AND MEMBERS' EQUITY** | $ 470,069 | $ 420,906 | $ 890,975 |

The accompanying notes are an integral part of this financial statement.

# MADISON GREEN MASTER ASSOCIATION, INC.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

### Year Ended December 31, 2010

| | OPERATING FUND | REPLACEMENT FUND | TOTAL |
|---|---|---|---|
| **REVENUES** | | | |
| Maintenance Fees | $ 1,312,344 | $ 96,000 | $ 1,408,344 |
| Legal Fee Recovery | 53,916 | | 53,916 |
| Interest Income | 1,171 | 5,101 | 6,272 |
| Interest- Members | 31,625 | | 31,625 |
| Late Fees | 35,633 | | 35,633 |
| Estoppel Income | 600 | | 600 |
| Club House Rental Income | 4,823 | | 4,823 |
| ID Card Income | 1,285 | | 1,285 |
| NSF Fee | 360 | | 360 |
| Insurance Proceeds | 4,463 | | 4,463 |
| Other Income | 1,726 | | 1,726 |
| Owner Miscellaneous Charges | 1,518 | | 1,518 |
| Cable Negotations | 16,101 | | 16,101 |
| **TOTAL REVENUES** | 1,465,565 | 101,101 | 1,566,666 |
| **EXPENSES** | | | |
| **(See Supplementary Information)** | | | |
| General and Administrative | 387,419 | | 387,419 |
| Common Area | 440,731 | | 440,731 |
| Grounds | 244,523 | | 244,523 |
| Recreation Administrative | 118,278 | | 118,278 |
| Recreation Maintenance | 133,725 | | 133,725 |
| Reserves | | 119,709 | 119,709 |
| **TOTAL EXPENSES** | 1,324,676 | 119,709 | 1,444,385 |
| **EXCESS REVENUES (EXPENSES)** | 140,889 | (18,608) | 122,281 |
| **FUND BALANCE - BEGINNING** | 48,918 | 432,427 | 481,345 |
| **INTERFUND TRANSFER** | (7,087) | 7,087 | 0 |
| **FUND BALANCE - ENDING** | $ 182,720 | $ 420,906 | $ 603,626 |

The accompanying notes are an integral part of this financial statement.

# MADISON GREEN MASTER ASSOCIATION, INC.

## STATEMENT OF CASH FLOWS

## Year Ended December 31, 2010

| | OPERATING FUND | REPLACEMENT FUND | TOTAL |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| EXCESS REVENUES (EXPENSES) | $ 140,889 | $ (18,608) | $ 122,281 |
| **ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | | |
| **PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | | |
| Interfund Transfer | (7,087) | 7,087 | 0 |
| **DECREASE (INCREASE) IN ASSETS:** | | | |
| Unit Owner Receivable | (130,700) | | (130,700) |
| Legal Fees Receivable | 59,900 | | 59,900 |
| Prepaid Expenses | (347) | | (347) |
| Prepaid Insurance | (342) | | (342) |
| Due To/From Funds | (107,148) | 107,148 | 0 |
| **INCREASE (DECREASE) IN LIABILITIES:** | | | |
| Accounts Payable | (8,673) | | (8,673) |
| Insurance Payable | 79 | | 79 |
| Accounts Payable - Legal Fees | 9,045 | | 9,045 |
| ARC Deposits | 6,940 | | 6,940 |
| Prepaid Maintenance Fees | 11,632 | | 11,632 |
| Deferred Cable Income | 134,180 | | 134,180 |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | 108,368 | 95,627 | 203,995 |
| **NET INCREASE (DECREASE) IN CASH** | 108,368 | 95,627 | 203,995 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 92,580 | 325,279 | 417,859 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | $ 200,948 | $ 420,906 | $ 621,854 |

The accompanying notes are an integral part of this financial statement.

**MADISON GREEN MASTER ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2010**

## I. ORGANIZATION

Madison Green Master Association, Inc. is a not-for-profit; non Stock Corporation organized pursuant to Chapter 720 of the Florida Statutes. The Association was formed to maintain and protect the common areas, and consists of 1,145 units.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned and expenses are recorded in the period in which they are incurred.

### 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 major repairs and replacements.

### Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### Cash and Cash Equivalents

For presentation purposes, the Association consolidates checking, money market and certificates of deposit accounts.

### Capitalization and Depreciation Policy

Real property and common area acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. Although they are owned by the Association the Board of Directors cannot dispose of the property and the property does not generate any significant cash flow. Generally, personal property purchased by the Association is expensed.

### Subsequent Events

The subsequent events have been evaluated through April 9, 2011, the date the financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures* (SFAS No. 157), fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value of its financial assets and liabilities at December 31, 2010 and therefore, no adjustment for the effect of FASB ASC 820 was made to the Associations' financial statements at December 31, 2010.

3. MAINTENANCE ASSESSMENTS

The Association Declaration provides that each owner is chargeable for their proportionate share of common expenses based upon the budget adopted. The Association has lien rights in the event of delinquent assessments, which can be exercised through foreclosure proceedings. The Association provides an allowance for losses on receivables based on a review of the current status of existing receivables, where applicable.

4. REPLACEMENT FUNDS

The approved budget includes provisions for reserves for capital improvements and deferred maintenance. The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components as disclosed in the supplemental information. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The balance at December 31, 2010, consists of the following:

| COMPONENTS | BALANCE 12/31/2009 | INTEREST/ ASSESSMENTS | TRANSFERS | EXPENDITURES | BALANCE 12/31/2010 |
|---|---|---|---|---|---|
| General | $415,820 | $96,000 | $7,087 | ($119,709) | $399,198 |
| Interest | 16,607 | 5,101 | 0 | 0 | 21,708 |
| TOTAL | $432,427 | $101,101 | $7,087 | ($119,709) | $420,906 |

4. REPLACEMENT FUNDS (continued)

As part of the bulk cable contract signed with Comcast (See Note 7) the Association was given a monthly discount for the first two years of service. The Board of Directors voted to transfer the savings to the replacement fund account.

The Association does not allocate interest earned on the replacements fund to specific replacement components as earned, but does so periodically depending on projected requirements.

5. INCOME TAXES

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation "exempt function income," which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates.

The Association will file its 2010 federal income tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association's federal income tax returns for 2008, 2009 and 2010 are subject to examination, generally for three years after they are filed.

6. COMMITMENTS

The Association has various contract services to maintain the common property including cable television service, common area landscaping, pool service, lakes and preserves, alarm monitoring, irrigation maintenance and trash service. These contracts have different expiration dates and renewal terms.

7. CABLE NEGOTIOATIONS/ DEFERRED CABLE INCOME

On March 29, 2010, the Association entered into a bulk cable contract with Comcast. The Association hired Converged Services, Inc. as a consultant for the Comcast negotiations. As consideration for entering into a seven (7) year contract, Comcast paid the Association $175 per unit, or a total of $200,375. For their consulting services, the Association paid Converged Services, Inc. twenty-five percent (25%) of the consideration received, which amounted to $50,094, leaving the Association with $150,281 of compensation. The Association is amortizing the consideration over the life of the contract. For the year ended December 31, 2010, $16,101 was recognized as income leaving the Association with deferred cable income of $134,180, as presented on the balance sheet.

8. INSURANCE CLAIM

On June 9, 2010, the Association received a check from Gieco for a claim filed in the amount of $4,463. The entire check was used to offset repair costs and was recognized as income in the current year.

# SUPPLEMENTARY INFORMATION

**MADISON GREEN MASTER ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**

**December 31, 2010**
**(Unaudited)**

The Association has conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on estimates from historical experience. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following presents significant information about the components of common property:

| COMPONENTS | ESTIMATED REMAINING USEFUL LIVES | ESTIMATED CURRENT REPLACEMENT COSTS | 2011 FUNDING REQUIREMENT |
|---|---|---|---|
| Roofing | 4-14 Years | $150,583 | $6,947 |
| Painting | 4 Years | 23,191 | 2,453 |
| Paving | 8-50 Years | 246,119 | 10,365 |
| Interiors | 0-20 Years | 340,988 | 20,346 |
| Restoration | 1-50 Years | 101,365 | 4,985 |
| Pool Area | 0-18 Years | 250,062 | 20,136 |
| Sports Courts | 0-18 Years | 106,020 | 6,261 |
| TOTAL | | $1,218,328 | $71,493 |

See independent auditors' report.

# MADISON GREEN MASTER ASSOCIATION, INC.

## SUPPLEMENTARY INFORMATION

## DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES BUDGET COMPARISON

## Year Ended December 31, 2010

| | ACTUAL | BUDGET (Unaudited) | VARIANCE |
|---|---|---|---|
| **REVENUES:** | | | |
| Maintenance Fees | $1,312,344 | $1,312,350 | ($6) |
| Legal Fee Recovery | 53,916 | 0 | 53,916 |
| Interest | 1,171 | 5,000 | (3,829) |
| Interest on Assessments | 31,625 | 0 | 31,625 |
| Late Fee | 35,633 | 15,000 | 20,633 |
| Estoppel | 600 | 6,000 | (5,400) |
| Club House Rental | 4,823 | 5,000 | (177) |
| ID Card | 1,285 | 1,000 | 285 |
| NSF Fees | 360 | 0 | 360 |
| Insurance Proceeds | 4,463 | 0 | 4,463 |
| Other | 1,726 | 300 | 1,426 |
| Owner Miscellaneous Charges | 1,518 | 0 | 1,518 |
| Cable Negotiations | 16,101 | 0 | 16,101 |
| Total Revenues | 1,465,565 | 1,344,650 | 120,915 |
| **EXPENSES:** | | | |
| *GENERAL AND ADMINISTRATIVE* | | | |
| Insurance | 42,660 | 47,000 | 4,340 |
| Licenses and Permit Fees | 930 | 1,500 | 570 |
| Salaries | 63,450 | 132,000 | 68,550 |
| Professional Fees | 3,064 | 10,000 | 6,936 |
| Legal Fees | 98,410 | 15,000 | (83,410) |
| Bank Charges | 1,031 | 500 | (531) |
| Office Equipment | 3,526 | 2,000 | (1,526) |
| First Aid Supplies | 153 | 0 | (153) |
| Office supplies and Printing | 17,131 | 10,000 | (7,131) |
| Postage | 4,524 | 6,000 | 1,476 |
| Telephone | 3,926 | 1,500 | (2,426) |
| Bad Debt Expense | 113,000 | 113,000 | 0 |
| Accounting Service | 32,266 | 0 | (32,266) |
| Contingency | 3,348 | 15,184 | 11,836 |
| *TOTAL GENERAL AND ADMINISTRATIVE* | 387,419 | 353,684 | (33,735) |
| *COMMON AREA* | | | |
| Electrical | 2,893 | 8,000 | 5,107 |
| Cable TV | 435,501 | 454,962 | 19,461 |
| Channel 63 and Website | 979 | 1,500 | 521 |
| Repairs and Maintenance | 1,358 | 2,000 | 642 |
| *TOTAL COMMON AREA* | 440,731 | 466,462 | 25,731 |

See independent auditors' report.

## MADISON GREEN MASTER ASSOCIATION, INC.

## SUPPLEMENTARY INFORMATION

## DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES BUDGET COMPARISON

### Year Ended December 31, 2010

| | ACTUAL | BUDGET (Unaudited) | VARIANCE |
|---|---|---|---|
| **EXPENSES(Continued):** | | | |
| *GROUNDS* | | | |
| Lawn and Landscape Maintenance | 138,286 | 137,800 | (486) |
| Fertilizer and Pest Control | 20,560 | 17,700 | (2,860) |
| Landscape Extras | 5,996 | 5,000 | (996) |
| Mulch | 15,000 | 15,000 | 0 |
| Trees and Palms Trimming | 11,001 | 20,000 | 8,999 |
| Lakes and Preserves | 31,838 | 46,000 | 14,162 |
| Seasonal Flowers | 0 | 2,000 | 2,000 |
| Irrigation Repairs and Maintenance | 21,842 | 17,000 | (4,842) |
| Contingency- Grounds | 0 | 9,000 | 9,000 |
| *TOTAL GROUNDS* | 244,523 | 269,500 | 24,977 |
| *RECREATION ADMINISTRATIVE* | | | |
| Wages | 114,056 | 130,000 | 15,944 |
| Uniforms | 1,498 | 1,000 | (498) |
| Club House Functions | 2,724 | 5,000 | 2,276 |
| *TOTAL RECREATION ADMINISTRATIVE* | 118,278 | 136,000 | 17,722 |

See independent auditors' report.

## MADISON GREEN MASTER ASSOCIATION, INC.

## SUPPLEMENTARY INFORMATION

## DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES BUDGET COMPARISON

## Year Ended December 31, 2010

| | ACTUAL | BUDGET (Unaudited) | VARIANCE |
|---|---|---|---|
| **EXPENSES(Continued):** | | | |
| *RECREATION MAINTENANCE* | | | |
| Air Conditioning | 2,606 | 3,000 | 394 |
| Monitoring Cameras | 729 | 1,500 | 771 |
| Alarm System | 1,976 | 1,000 | (976) |
| ID System and Doors | 4,695 | 1,000 | (3,695) |
| Guard Service | 4,048 | 0 | (4,048) |
| Gym Maintenance | 2,475 | 4,000 | 1,525 |
| Pool Maintenance | 16,527 | 18,504 | 1,977 |
| Pool Repair and Upgrade | 15,799 | 5,000 | (10,799) |
| Tennis and Basketball Courts | 3,715 | 2,000 | (1,715) |
| Golf Cart and Minor Equipment | 668 | 500 | (168) |
| Janitorial Supplies | 5,167 | 2,000 | (3,167) |
| Trash Removal | 4,566 | 4,500 | (66) |
| Electricity | 55,392 | 60,000 | 4,608 |
| Water and Sewer | 6,493 | 8,000 | 1,507 |
| Pest Control | 40 | 1,500 | 1,460 |
| Roof Repairs | 0 | 1,500 | 1,500 |
| Repairs and Maintenance | 8,829 | 5,000 | (3,829) |
| *TOTAL RECREATION MAINTENANCE* | 133,725 | 119,004 | (14,721) |
| Total Operating Expenses | 1,324,676 | 1,344,650 | 19,974 |
| Excess Operating Revenues (Expenses) | $140,889 | $0 | $140,889 |

See independent auditors' report.