

**Geist Harbours Property
Owners' Association, Inc.**

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



Certified Public Accountants

GEIST HARBOURS PROPERTY OWNERS ASSOCIATION, INC.

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BUSINESS PLANNING
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Geist Harbours Property Owners Association, Inc.:

We have audited the accompanying balance sheet of Geist Harbours Property Owners Association, Inc. as of December 31, 2007 and the related statements of revenues, expenses and changes in fund balances (deficit) and cash flows for the 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 Geist Harbours Property Owners Association, Inc. as of December 31, 2007 and the results of operations and its cash flows for the year then ended 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.

April 4, 2008

GEIST HARBOURS PROPERTY OWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2007

	Operating Fund	Reserve Fund	2007 Total All Funds	2006 Total All Funds
<u>Assets</u>				
Current assets				
Cash	\$ 300,098	\$ 267,018	\$ 567,116	\$ 411,533
Member assessments receivable	102,343	-	102,343	77,944
Prepaid insurance	2,004	-	2,004	1,906
Total current assets	<u>\$ 404,445</u>	<u>\$ 267,018</u>	<u>\$ 671,463</u>	<u>\$ 491,383</u>
<u>Liabilities and Fund Balances (Deficit)</u>				
Current liabilities				
Accounts payable	\$ 58,100	\$ -	\$ 58,100	\$ 66,338
Prepaid member assessments	395,526	-	395,526	211,987
Total current liabilities	453,626	-	453,626	278,325
Fund balances (deficit)				
Fund balances (deficit)	(49,181)	267,018	217,837	213,058
Total liabilities and fund balances (deficit)	<u>\$ 404,445</u>	<u>\$ 267,018</u>	<u>\$ 671,463</u>	<u>\$ 491,383</u>

See accompanying notes to financial statements.

GEIST HARBOURS PROPERTY OWNERS 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	\$ 1,011,500	\$ -	\$ 1,011,500	\$ 1,013,200
Late fees	14,289	-	14,289	3,117
Interest income	414	19,817	20,231	14,500
Reimbursed legal fees	20,576	-	20,576	16,495
Other income	7,106	-	7,106	8,542
	<u>1,053,885</u>	<u>19,817</u>	<u>1,073,702</u>	<u>1,055,854</u>
Expenses				
Security	595,001	-	595,001	592,226
GT landscape contract	70,885	-	70,885	64,764
Lawn aeration	-	-	-	2,493
Landscape maintenance	7,848	-	7,848	12,530
Miscellaneous grounds maintenance	3,680	-	3,680	-
Irrigation	2,123	-	2,123	-
Snow removal	135,333	-	135,333	17,525
Management fees	45,000	-	45,000	45,000
Fireworks	2,500	-	2,500	2,500
Social	3,272	-	3,272	2,005
Insurance	11,924	-	11,924	11,837
Electricity	4,862	-	4,862	5,046
Water/sewer	5,112	-	5,112	3,520
Windsong contribution	10,121	-	10,121	8,699
Professional fees	-	-	-	575
Legal	27,031	-	27,031	17,520
Real estate taxes	331	-	331	432
Administrative	3,286	-	3,286	2,875
Postage	12,045	-	12,045	8,067
Accounting	3,530	-	3,530	3,395
Printing other	-	-	-	805
Bank fees	90	-	90	-
Website	325	-	325	-
Repairs	-	-	-	1,689
Bad debt expense	5,900	-	5,900	18,908
Capital expenditures	-	118,724	118,724	200,331
	<u>950,199</u>	<u>118,724</u>	<u>1,068,923</u>	<u>1,022,742</u>
Excess of revenues over (under) expenses	103,686	(98,907)	4,779	33,112
Interfund transfer	31,907	(31,907)	-	-
Fund balances (deficit), beginning of year	(184,774)	397,832	213,058	179,946
Fund balances (deficit), end of year	<u>\$ (49,181)</u>	<u>\$ 267,018</u>	<u>\$ 217,837</u>	<u>\$ 213,058</u>

See accompanying notes to financial statements.

GEIST HARBOURS PROPERTY OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
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	\$ 1,170,640	\$ -	\$ 1,170,640	\$ 1,212,938
Late fees collected	14,289	-	14,289	3,117
Interest income	414	19,817	20,231	14,500
Reimbursed legal fees	20,576	-	20,576	16,495
Other income received	7,106	-	7,106	8,542
Cash paid for operating expenditures	<u>(958,535)</u>	<u>(118,724)</u>	<u>(1,077,259)</u>	<u>(1,014,791)</u>
Net cash provided by (used in) operating activities	<u>254,490</u>	<u>(98,907)</u>	<u>155,583</u>	<u>240,801</u>
Cash flows from financing activities:				
Interfund transfers	<u>31,907</u>	<u>(31,907)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	286,397	(130,814)	155,583	240,801
Cash, beginning of year	<u>13,701</u>	<u>397,832</u>	<u>411,533</u>	<u>170,732</u>
Cash, end of year	<u>\$ 300,098</u>	<u>\$ 267,018</u>	<u>\$ 567,116</u>	<u>\$ 411,533</u>
 Reconciliation of excess of revenues over (under) expenses to net cash provided by (used in) operating activities:				
Excess of revenues over (under) expenses	\$ 103,686	\$ (98,907)	\$ 4,779	\$ 33,112
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	(24,399)	-	(24,399)	(4,529)
Prepaid insurance	(98)	-	(98)	402
Accounts payable	(8,238)	-	(8,238)	7,549
Prepaid member assessments	<u>183,539</u>	<u>-</u>	<u>183,539</u>	<u>204,267</u>
Net cash provided by (used in) operating activities	<u>\$ 254,490</u>	<u>\$ (98,907)</u>	<u>\$ 155,583</u>	<u>\$ 240,801</u>

See accompanying notes to financial statements.

GEIST HARBOURS PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. ORGANIZATION

Geist Harbours Property Owners Association, Inc. (the "Association") is a not-for-profit association incorporated in the State of Indiana on January 8, 1981 and consists of 2,369 residential units located in Hamilton and Marion counties, Indiana. The Association, acting through its Board, operates, supervises and maintains the common areas and the facilities located thereon. The Association manages the 24-hour security, landscaping, maintenance and other services associated with the upkeep of common area. Each homeowner in Geist Harbours 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 \$425.

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.

GEIST HARBOURS PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property and equipment. Land and other common property were contributed to the Association and although disposition of these properties by the Association is permissible in certain instances, such disposition is unlikely. Therefore, common property assets contributed by the developer are excluded from these financial statements. Improvements to land and equipment acquired subsequent to the developer's contribution are capitalized and depreciated over estimated useful lives ranging from seven to ten years.

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 \$5,900 was uncollectible and was recorded as bad debt expense at December 31, 2007.

3. RELATED PARTY TRANSACTIONS

The Association has employed Community Association Services of Indiana, an Associa Company, 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. The former management company, Revel and Underwood, Inc., was acquired by Associa effective January 1, 2007. During the transition period, Revel and Underwood, Inc., was paid management fees of \$15,000 for the period January 1 through April 30, 2007. For the period May 1 through December 31, 2007, management fees of \$30,000 were earned and paid to Community Association Services of Indiana.

The management company provided various maintenance and administrative services to the Association. During the year ended December 31, 2007, they were paid \$19,417 for the following services:

Miscellaneous grounds maintenance	\$ 3,385
Legal	4,400
Administrative	1,471
Postage	2,333
Repairs	4,798
Capital expenditures	<u>3,030</u>
	<u>\$ 19,417</u>

GEIST HARBOURS PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

4. CONCENTRATION OF CREDIT RISK

There is a concentration of credit risk arising from cash balances in excess of federally insured limits of \$100,000. Amounts held at Community Association Banc, as of December 31, 2007, were \$300,098 and at Charter One, were \$267,018.

5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$267,018 at December 31, 2007, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the reserve account.

The Association conducted a study in 1997 to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were based on 1997 replacement costs. In November 2004, the Association updated the reserve study. The Association is funding such major repairs and replacements based on the study's estimate of current replacement costs and useful lives while considering amounts previously accumulated in the reserve fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

6. SFAS No. 144

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Association's reported earnings, financial condition or cash flows.

SUPPLEMENTARY INFORMATION

GEIST HARBOURS PROPERTY OWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2007
(UNAUDITED)

The Association conducted a study in 1997 to estimate the remaining useful lives and the replacement costs of the common property components. In November 2004, the Association updated the reserve study. The Association is funding such major repairs and replacements based on the study's estimate of current replacement costs and useful lives while considering amounts previously accumulated in the reserve fund. The following information is based on the November 2004 updated study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Reserve Fund Balance at December 31, 2007</u>
Entry lighting	1-13	\$ 33,682	
Brick columns	38	129,500	
Irrigation	11-15	82,961	
Brick walls	23	405,800	
Street & stop signs	11	75,000	
Fencing	6	21,550	
Masonry walls	39	30,000	
Fieldstone walls	13-23	170,812	
Footbridges/railings	11	300,000	
Sidewalks	0	526,051	
Wood signage	0-39	<u>11,255</u>	
		<u>\$1,786,611</u>	<u>\$267,018</u>