

Lake Forrest Homeowners' Association

Independent Auditors' Report

Financial Statements

December 31, 2010

Lake Forrest Homeowners' Association

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**Goodwin
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Independent Auditors' Report

To the Board of Directors of
Lake Forrest Homeowners' Association

Gentlemen:

We have audited the accompanying balance sheet of Lake Forrest Homeowners' Association as of December 31, 2010, and the related statements of activities, functional expense, 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 generally accepted 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 Lake Forrest Homeowners' Association 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information for the year ended December 31, 2010 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

Goodwin + McDonald CPA's, P.C.

Goodwin & McDonald CPA's, P.C.
Certified Public Accountants

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January 19, 2012

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Lake Forrest Homeowners' Association
Balance Sheet
As of December 31, 2010

EXHA

	Fund Type			Total (Memorandum Only)	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended December 31, Audited 2010	Year Ended December 31, Audited 2009
<u>Assets</u>					
Current Assets					
Cash and Cash Equivalents	89,594	228,219	-	317,813	607,077
Assessments Receivable	9,619	-	-	9,619	29,384
Bond Deficits Receivable	-	117,197	-	117,197	-
Prepaid Insurance	485	-	-	485	404
Total Current Assets	99,698	345,416	-	445,114	636,865
Total Assets	99,698	345,416	-	445,114	636,865
Current Liabilities					
Accounts Payable	-	-	-	-	15,595
Performance Deposits Payable	-	271,268	-	271,268	479,706
Total Liabilities	-	271,268	-	271,268	495,301
<u>Net Assets</u>					
Net Assets Beginning-of-Year	76,718	64,846	-	141,564	106,864
Change in Net Assets	22,979	9,303	-	32,282	34,699
Net Assets End-of-Year	99,698	74,149	-	173,847	141,564
Total Liabilities and Net Assets	99,698	345,416	-	445,114	636,865

See accompanying notes to financial statements

Lake Forrest Homeowners" Association
Statement of Activities
December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 12/31/10</u>	<u>Total 12/31/09</u>
Public Support & Revenue					
Assessments	\$ 81,653	-	-	81,653	75,320
Special Assessments	-	-	-	-	2,578
Other Income	3,521	-	-	3,521	8,063
Total Public Support Revenue	85,174	-	-	85,174	85,961
Indirect Support Revenue					
Interest	4,136	-	-	4,136	6,861
Late Fee Income	10,379	-	-	10,379	25
Total Indirect Support Revenue	14,515	-	-	14,515	6,886
Total Revenue	99,689	-	-	99,689	92,847
Functional Expenses:					
Program Services	62,051	-	-	62,051	50,473
Fund Raising	-	-	-	-	-
Management & General	5,355	-	-	5,355	7,674
Total Functional Expense	67,406	-	-	67,406	58,147
Total Expense	67,406	-	-	67,406	58,147
Increase (Decrease) in Net Assets	32,282	-	-	32,282	34,699
Transfer to (from) Funds	(9,303)	9,303	-	-	-
Change in Net Assets	22,979	9,303	-	32,282	34,699
Net assets, - beginning of year	76,718	64,846	-	141,564	106,864
Net assets, - end of the year	\$ 99,698	74,149	-	173,847	141,564

See accompanying notes to financial statements

Lake Forrest Homeowners' Association
Statement of Functional Expense
December 31, 2010

EXH C

	<u>Program Services</u>	<u>Supporting Services</u>		
	Program Services	Mgt. & General	Fund- raising	12/31/10 Total Expense
Landscape Maintenance Contract	\$ 23,535	-	-	23,535
Property Management Fees	17,310	-	-	17,310
Insurance	5,038	-	-	5,038
Pond Maintenance	4,075	-	-	4,075
Electricity	606	-	-	606
Water	3,239	-	-	3,239
Landscape Repairs	5,300	-	-	5,300
Sprinkler System	2,378	-	-	2,378
Vacant Lot Maintenance	570	-	-	570
Bank Fees	-	160	-	160
Computer & Internet	-	-	-	-
Newsletter	-	-	-	-
Office Supplies	-	47	-	47
Postage	-	414	-	414
Delivery	-	-	-	-
Printing	-	-	-	-
Accounting	-	300	-	300
Income Tax Expense	-	-	-	-
Holiday Decorations	-	940	-	940
Legal Fees and Collections	-	3,432	-	3,432
Recording & Filing Fees	-	62	-	62
Total Functional Expenses	\$ 62,051	5,355	-	67,406

See accompanying notes to financial statements.

Lake Forrest Homeowners' Association
Statement of Cash Flows
For the Year Ended 12/31/10

EXH D

Operating Activities

Change in Net Assets	\$ 32,282
Adjustments to reconcile change in net cash provided by operating activities:	-
Decrease in Assessments Receivable	19,765
(Increase) in Bond Deficits Receivable	(117,197)
Increase in Prepaid Insurance	(81)
(Decrease) in Accounts Payable	(15,595)
(Decrease) in Performance Deposits Payable	(208,439)

Net cash provided by operating activities (289,265)

Investing Activities

Purchase of Capital Assets	-
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Net cash used by investing activities -

Financing Activities

Payments on Notes Payable	-
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Net cash used by financing activities -

Net increase in cash and cash equivalents (289,265)

Cash and cash equivalents as of beginning of year 607,077

Cash and cash equivalents as of end of year \$ 317,813

Lake Forrest Homeowners' Association

Notes to Financial Statements
December 31, 2010

Note 1: Nature of the Organization

Lake Forrest Homeowners' Association is a Residential Real Estate Association that files Form 1120-H with the Internal Revenue Service. The Association charges Assessments to its members for future repairs that will be required to maintain adequate maintenance of the property.

Note 2: Summary of Significant Accounting Policies

A. Basis of Accounting - Accrual Accounting Method

The financial statements are prepared on an accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred. This accrual method of accounting presents the results of operations in conformity with generally accepted accounting principles.

B. Equipment

There is no equipment recorded on the Association's balance sheet.

C. Cash and Investments

Cash includes an Operations checking account, a Bond account for future repairs and maintenance, and two CD's.

D. Functional Expenses

Functional expenses have been allocated between program services based on an analysis of personnel, time, and space utilized for related activities and management expenses.

E. Revenue Recognition

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for future reserves and replacements.

Lake Forrest Homeowners' Association

Notes to Financial Statements
December 31, 2010

F. Performance Deposits Payable

The Association's Declaration provides that the owner of each lot shall be required to escrow cash funds with the Association. Upon the successful completion of the home in conformity with the Declaration and the requirements set forth in the Annexation agreement, the Association will return the cash deposit.

G. Use of 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.

Note 3: Concentration of Risk

At December 31, 2010 the Association had bank balances at two institutions of \$32,378.61 and \$228,218.51. Amounts up to \$250,000 are covered by federally backed depository insurance.

Note 4. Commitments

The Association has entered into various maintenance, management, and service agreements for the upkeep and operations of the property.