

**SAMPLE CO-OP, INC.**  
**SOMEWHERE, FLORIDA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2008**

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT ..... 2

FINANCIAL STATEMENTS

    Balance Sheet ..... 3

    Statement of Revenues, Expenses and Changes in Members' Equity ..... 4

    Statement of Cash Flows ..... 5-6

    Notes to Financial Statements ..... 7-12

SUPPLEMENTARY INFORMATION

    Supplementary Information on Future Major Repairs and Replacements ..... 14

    Schedule of Operating Fund Expenses ..... 15-16

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Sample Co-op, Inc.  
Somewhere, Florida

I have audited the accompanying balance sheet of Sample Co-op, Inc. as of December 31, 2008, 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 Cooperative'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and 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 Sample Co-op, Inc. as of December 31, 2008, 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 audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on future major repairs and replacements is required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it. The accompanying schedule of operating fund expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied during the audit of the basic financial statements and, in my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 27, 2009

AUDITING CPA

SAMPLE CO-OP, INC.  
BALANCE SHEET  
DECEMBER 31, 2008

	FUNDS		
	Operating	Replacement	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,037,968	\$ 406,141	\$ 1,444,109
Cash and cash equivalents - restricted	64,551	-	64,551
Certificates of deposit	133,000	1,300,000	1,433,000
Accounts receivable	47,681	-	47,681
Prepaid expenses	22,118	-	22,118
Property and equipment (net of accumulated depreciation of \$4,961,532)	27,081,548	-	27,081,548
Financing costs (net of amortization of \$12,061)	91,320	-	91,320
Goodwill	1,500,000	-	1,500,000
Due from operating fund	-	406,302	406,302
	<u>\$ 29,978,186</u>	<u>\$ 2,112,443</u>	<u>\$ 32,090,629</u>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 43,965	\$ -	\$ 43,965
Deposits	21,500	-	21,500
Deferred revenue	17,790	-	17,790
Assessments received in advance	29,056	-	29,056
Due to member groups	64,551	-	64,551
Note payable	14,661,825	-	14,661,825
Due to replacement fund	406,302	-	406,302
	<u>15,244,989</u>	<u>-</u>	<u>15,244,989</u>
 <b>MEMBERS' EQUITY</b>			
Memberships subscribed	<u>14,733,197</u>	<u>2,112,443</u>	<u>16,845,640</u>
	<u>\$ 29,978,186</u>	<u>\$ 2,112,443</u>	<u>\$ 32,090,629</u>

Read Independent Auditor's Report.  
The accompanying notes are an integral  
part of the financial statements.

SAMPLE CO-OP, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2008

	FUNDS		
	Operating	Replacement	Total
<b>REVENUES</b>			
Member assessments	\$ 1,348,691	\$ 169,564	\$ 1,518,255
Tenant rents	1,322,829	-	1,322,829
New home sales	350,402	-	350,402
Commissions	210,415	-	210,415
Interest and dividend	13,268	23,886	37,154
Water	96,600	-	96,600
Marina dockage	45,523	-	45,523
Late fees	3,020	-	3,020
Application fees	10,860	-	10,860
Miscellaneous sales	4,493	-	4,493
Miscellaneous operating	1,572	-	1,572
	<u>3,407,673</u>	<u>193,450</u>	<u>3,601,123</u>
<b>EXPENSES</b>			
Administrative	1,685,575	-	1,685,575
Depreciation and amortization	825,851	-	825,851
Repairs and maintenance	273,932	-	273,932
Utilities	297,477	-	297,477
Taxes	201,067	-	201,067
Cost of sales	594,288	-	594,288
Sales	113,146	-	113,146
	<u>3,991,336</u>	<u>-</u>	<u>3,991,336</u>
(Deficiency) excess of revenues over expenses	(583,663)	193,450	(390,213)
<b>MEMBERS' EQUITY -</b>			
January 1, 2008	15,111,693	1,518,993	16,630,686
<b>CAPITAL CONTRIBUTIONS</b>			
	381,792	-	381,792
<b>INTERFUND TRANSFER</b>			
	(400,000)	400,000	-
<b>TRANSFER ASSET PURCHASES</b>			
	<u>223,375</u>	<u>-</u>	<u>223,375</u>
<b>MEMBERS' EQUITY -</b>			
December 31, 2008	<u>\$ 14,733,197</u>	<u>\$ 2,112,443</u>	<u>\$ 16,845,640</u>

Read Independent Auditors' Report.  
The accompanying notes are an integral  
part of the financial statements.

SAMPLE CO-OP, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	FUNDS		
	Operating	Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Member assessments received	\$ 1,345,354	\$ 169,564	\$ 1,514,918
Tenant rents collected	1,322,829	-	1,322,829
New home sales proceeds received	339,993	-	339,993
Commission income received	210,415	-	210,415
Interest and dividends received	13,268	23,886	37,154
Water revenue received	96,600	-	96,600
Marina dockage received	45,523	-	45,523
Late fees collected	3,020	-	3,020
Application fees received	10,860	-	10,860
Miscellaneous income received	6,065	-	6,065
Cash paid for expenditures	(2,727,327)	-	(2,727,327)
Due to (from) funds	406,302	(406,302)	-
Net cash provided (used) by operating activities	<u>1,072,902</u>	<u>(212,852)</u>	<u>860,050</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(324,723)	-	(324,723)
Purchase of certificates of deposit	(133,000)	(1,300,000)	(1,433,000)
Net cash used by investing activities	<u>(457,723)</u>	<u>(1,300,000)</u>	<u>(1,757,723)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal payments on note payable	(134,312)	-	(134,312)
Capital contributions received	381,792	-	381,792
Interfund transfer	(400,000)	400,000	-
Net cash (used) provided by financing activities	<u>(152,520)</u>	<u>400,000</u>	<u>247,480</u>
Net increase (decrease) in cash	462,659	(1,112,852)	(650,193)
CASH AND CASH EQUIVALENTS - January 1, 2008	<u>639,860</u>	<u>1,518,993</u>	<u>2,158,853</u>
CASH AND CASH EQUIVALENTS - December 31, 2008	<u>\$ 1,102,519</u>	<u>\$ 406,141</u>	<u>\$ 1,508,660</u>

	FUNDS		
	Operating	Replacement	Total
RECONCILIATION OF (DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
(Deficiency) excess of revenues over expenses	\$ (583,663)	\$ 193,450	\$ (390,213)
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash provided (used) by operating activities:			
Depreciation and amortization	825,851	-	825,851
Increase in accounts receivable	(14,187)	-	(14,187)
Increase in prepaid expenses	(375)	-	(375)
Decrease in mobile home inventory	480,031	-	480,031
Decrease in accounts payable	(23,202)	-	(23,202)
Decrease in deposits	(10,409)	-	(10,409)
Decrease in deferred revenue	(1,082)	-	(1,082)
Increase in assessments received in advance	10,850	-	10,850
Decrease in due to member groups	(17,214)	-	(17,214)
Due to (from) funds	406,302	(406,302)	-
Total adjustments	1,656,565	(406,302)	1,250,263
Net cash provided (used) by operating activities	\$ 1,072,902	\$ (212,852)	\$ 860,050

Read Independent Auditor's Report.  
The accompanying notes are an integral  
part of the financial statements.

SAMPLE CO-OP, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

**NOTE 1 - THE COOPERATIVE**

Sample Co-op, Inc. (the "Cooperative") was incorporated on October 22, 2001, under the laws of Florida as a corporation not-for-profit. The Cooperative owns a mobile home park consisting of 825 mobile home spaces, and 125 boat slips, located in Somewhere, Florida. Membership in the Cooperative is limited to persons who have purchased membership certificates in the Cooperative.

The Cooperative also rents unsold mobile home spaces and marina boat slips. In addition, the Cooperative engages in the selling of mobile homes.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General Accounting

The Cooperative prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations, major repairs and replacements, and designated expenditures.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method, based on estimated useful lives ranging from 5 to 27.5 years. See Note 6 for additional information.

Revenue Recognition

Member assessment revenue is recorded monthly in the amount of the membership assessment allocation specified for current period operations, and is based on the annual budget adopted by the Board of Directors (the "Board"). Each member is assessed based upon their unit category.

Advertising

Advertising costs are expensed in the period to which they apply.

Funds

The operating fund reflects the operating portion of the monthly assessments paid by the members to meet the various day-to-day expenditures incurred in the administration and operation of the cooperative and recreational facilities. Any excess received from members and held by the Cooperative at the conclusion of its fiscal year is deemed to be common surplus.

The replacement fund is composed of the portion of the monthly assessments designated in the budget as statutory reserves to fund for future major repairs and replacements, as further discussed in Note 11.

Read Independent Auditor's Report.



SAMPLE CO-OP, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

The Cooperative is subject to federal and state taxation on net income derived from transactions with nonmembers pursuant to subchapter T of the Internal Revenue Code.

The Cooperative incurred no income tax liability for the year ended December 31, 2008. As of December 31, 2008, the Cooperative had operating loss carry forwards of approximately \$1,980,000.

Cash Flows

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Cooperative made cash payments of \$972,124 for interest, and no cash payments for income taxes during the year ended December 31, 2008.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Cooperative maintains its cash and cash equivalent accounts and certificates of deposit at various financial institutions located in Somewhere, Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2008, the uninsured balance was \$1,638,361, based on bank statement balances, less FDIC insurance.

At December 31, 2008, balances with a financial services company consisted of a money market account and certificates of deposit. Accounts at the financial services company are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. Certificates of deposit are insured up to \$250,000 at each issuing bank. As of December 31, 2008, these balances were fully insured.

Certificates of deposit are recorded at cost, which approximates market value.

Read Independent Auditor's Report.

SAMPLE CO-OP, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at December 31, 2008:

Member assessments	\$ 8,926
Tenant rents	14,082
Marina revenues	17,263
Water charges	7,410
	\$ 47,681

All receivables are considered collectible; therefore, no allowance for doubtful accounts has been recorded.

**NOTE 5 - MOBILE HOME INVENTORY**

Mobile home inventory is recorded at cost, which includes purchase and set-up costs. At December 31, 2008, the Cooperative had no mobile homes in inventory.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2008:

	Estimated Useful Lives	Costs
Buildings and improvements	15 - 27.5 years	\$ 1,345,834
Equipment	5 - 10 years	1,179,495
Infrastructure	12 - 20 years	13,734,579
		16,259,908
Less: accumulated depreciation		(4,961,532)
		11,298,376
Land		15,783,172
		\$ 27,081,548

During the year ended December 31, 2007, the Cooperative's property was appraised at \$46,000,000.

Depreciation expense for the year ended December 31, 2008, was \$820,682.

**NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE**

Assessments received in advance consisted of 2009 assessments received prior to January 1, 2009.

SAMPLE CO-OP, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008

**NOTE 8 - DUE TO OWNER GROUPS**

Due to owner groups represented funds maintained by the Cooperative for fund raisers, entertainment, and emergency preparedness for the benefit of residents.

**NOTE 9 - NOTE PAYABLE**

Note payable consisted of the following at December 31, 2008:

Note payable - bank; \$15,250,000; dated July 14, 2005; payable in monthly installments of principal and interest of \$95,765. The note is secured with a mortgage on all real estate, together with furnishings, fixtures, and equipment. The note matures on July 14, 2025.

\$ 14,661,285

The Cooperative entered into an interest swap agreement as part of their refinancing. The interest on the note is the LIBOR rate plus 0.8%. The swap rate agreement is for an interest rate of 6.42%. During the year ended December 31, 2008, the interest swap agreement resulted in additional interest expense of \$385,029.

Total interest expense during the year ended December 31, 2008, was \$972,124, and is included in administrative expenses.

Future maturities on the note payable are as follows:

<u>Year ending December 31.:</u>	
2009	\$ 291,424
2010	311,063
2011	331,776
2012	346,739
2013	380,134
2014-2018	2,299,551
2019-2023	3,187,968
2024-2025	7,512,630
	<u>\$ 14,661,285</u>

**NOTE 10 - MEMBERSHIPS**

At December 31, 2008, there were 508 memberships sold, with 317 remaining unsold and unsubscribed.

SAMPLE CO-OP, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

**NOTE 11 - REPLACEMENT FUND**

The Cooperative's governing documents require that funds be accumulated for future major repairs and replacements. The Cooperative's replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fees assessment charged to each member, and specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board, to meet the objective for which the fund was established.

The following is a table of the current year's activity in the replacement fund, by component:

Components	Balance January 1, 2008	Additions to Fund	Charges to Fund	Interfund Transfer	Balance December 31, 2008
Roofs	\$ 42,600	\$ 7,085	\$ -	\$ 11,360	\$ 61,045
Painting	3,150	1,130	-	840	5,120
Paving	190,500	51,520	-	50,800	292,820
Mechanical	27,600	490	-	7,360	35,450
Buildings	43,800	2,485	-	11,680	57,965
Site improvements	923,550	76,839	-	246,280	1,246,669
Furniture, fixtures and equipment	57,900	8,865	-	15,440	82,205
Utilities	123,600	14,160	-	32,960	170,720
Marina	87,300	6,990	-	23,280	117,570
Unallocated interest	18,993	23,886	-	-	42,879
	<u>\$ 1,518,993</u>	<u>\$ 193,450</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 2,112,443</u>

The 2008 funding for future major repairs and replacements was calculated over the estimated useful lives of the components, in accordance with Florida Statutes. At a duly called meeting, the members voted to waive the 2008 statutory funding and to partially fund for future major repairs and replacements. In May 2008, the Board voted to transfer \$400,000 from the operating fund to the replacement fund.

The 2009 statutory funding was \$279,190, as shown in the unaudited supplementary information. At a duly called meeting, the members voted to waive the 2009 statutory funding and to partially fund for future major repairs and replacements. The 2009 budgeted funding is \$143,342, as shown in the unaudited supplementary information. The components' actual replacement costs, useful lives, and investment income may vary from the estimated amounts, and the variations may be material. Therefore, the Cooperative's replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are required, the Board has various methods available to raise funds, including the right to increase regular assessments or pass special assessments.

SAMPLE CO-OP, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

The Cooperative has various short-term contracts for management, advertising and maintenance services.

The Cooperative is involved in several legal actions regarding collections and evictions. The outcome of these actions cannot yet be determined.

Read Independent Auditor's Report.

**SUPPLEMENTARY INFORMATION**

SAMPLE CO-OP, INC.  
 SUPPLEMENTARY INFORMATION ON  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2008  
 (Unaudited)

The following table represents a study by a professional appraiser during 2006 and updated by management during 2008, and presents significant information about the components of common property:

	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2009 Statutory Funding	2009 Budgeted Funding
Roofs	15-30 years	3-26 years	\$ 169,617	\$ 12,064	\$ 3,778
Painting	7 years	2-4 years	13,031	2,637	275
Paving	4-24 years	2-23 years	857,320	70,563	19,392
Mechanical	9-25 years	1-23 years	125,535	16,379	3,080
Buildings	10-30 years	1-26 years	177,323	9,181	4,129
Site improvements	4-50 years	1-38 years	3,765,971	125,965	87,235
Furniture, fixtures and equipment	7-30 years	1-20 years	249,326	16,712	5,758
Utilities	10-50 years	3-23 years	502,228	14,413	11,491
Marina	24 years	21 years	354,368	11,276	8,204
			<u>\$ 6,214,719</u>	<u>\$ 279,190</u>	<u>\$ 143,342</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be equal to the rate of inflation.

Read Independent Auditor's Report.

SAMPLE CO-OP, INC.  
SCHEDULE OF OPERATING FUND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008

ADMINISTRATIVE	
Accounting and audit	\$ 9,500
Auto	1,637
Bad debt	1,270
Bank charges	4,964
Collection fees	4,655
Dues and subscriptions	3,833
Division fees	2,641
Engineering study	15,440
Insurance	114,514
Bank loan interest	972,124
Legal and professional fees	46,703
Licenses and permits	1,376
Management fees	63,776
Office	21,961
Postage	10,284
Payroll costs	240,099
Resident relations	2,860
Security	158,428
Telephone	8,010
Miscellaneous	1,500
Total administrative	<u>1,685,575</u>
DEPRECIATION AND AMORTIZATION	
Depreciation	820,682
Amortization	5,169
Total depreciation and amortization	<u>825,851</u>
REPAIRS AND MAINTENANCE	
Conservation management	17,410
Contract labor	20,734
Docks	803
Landscaping	7,244
Lawn service contract	35,700
Buildings	46,853
Water district maintenance and supplies	37,923
Grounds	10,329
Vehicles and equipment	8,861
Pest control	2,985
Pool heating	12,763
Pool maintenance	20,260
Recreational facilities	13,782
Landscaping supplies	15,438
Maintenance supplies	17,965
Janitorial supplies	4,882
Total repairs and maintenance	<u>273,932</u>



UTILITIES

Electric	46,392
Sewer	4,337
Trash disposal	142,191
Water	104,557
Total utilities	<u>297,477</u>

TAXES

Real estate taxes	<u>201,067</u>
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COST OF SALES

Manufactured homes	231,602
Manufactured homes - add ons	252,051
Staff commissions	110,608
Miscellaneous	27
Total cost of sales	<u>594,288</u>

SALES

Advertising	41,559
Application costs	2,525
Electricity	2,463
Licenses and fees	1,681
Management fees	12,000
Office	10,558
Payroll costs	37,269
Repairs and maintenance	476
Telephone	4,376
Water and sewer	239
Total sales	<u>113,146</u>

Total operating fund expenses	<u>\$ 3,991,336</u>
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Read Independent Auditors' Report.