

**MADISON GREEN MASTER
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2011



Gerstle, Rosen & Goldenberg, P.A.
Certified Public Accountants

Mark R. Gerstle, C.P.A.

Robert N. Rosen, C.P.A.

Brian K. Goldenberg, Partner

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, 2011, 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, 2011, 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 Financial Accounting Standards Board 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

March 29, 2012

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**MADISON GREEN MASTER
ASSOCIATION, INC.**

BALANCE SHEET

December 31, 2011

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 277,913	\$ 547,992	\$ 825,905
Unit Owner Receivable	679,813		679,813
Allowance for Uncollectible	(566,170)		(566,170)
Insurance Claim Receivable	1,070		1,070
Prepaid Expenses	12,058		12,058
Prepaid Insurance	41,224		41,224
Utility Deposits	1,660		1,660
	<u>\$ 447,568</u>	<u>\$ 547,992</u>	<u>\$ 995,560</u>
LIABILITIES			
Accounts Payable	\$ 7,801	\$	\$ 7,801
Insurance Payable	33,914		33,914
Accounts Payable - Legal Fees	47,500		47,500
ARC Deposits	12,748		12,748
Prepaid Maintenance Fees	57,483		57,483
Deferred Cable Income	112,712		112,712
	<u>272,158</u>	<u></u>	<u>272,158</u>
MEMBERS' EQUITY			
Fund Balance	<u>175,410</u>	<u>547,992</u>	<u>723,402</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 447,568</u>	<u>\$ 547,992</u>	<u>\$ 995,560</u>

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, 2011

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Maintenance Fees	\$ 1,312,350	\$ 96,000	\$ 1,408,350
Legal Fee Recovery	17,951	-	17,951
Interest Income	1,039	4,086	5,125
Interest- Members	7,502	-	7,502
Late Fees	43,587	-	43,587
Estoppel Income	300	-	300
Club House Rental Income	4,850	-	4,850
ID Card Income	2,060	-	2,060
NSF Fee	805	-	805
Insurance Proceeds	1,070	-	1,070
Other Income	253	-	253
Owner Miscellaneous Charges	973	-	973
Cable Negotiations	21,468	-	21,468
TOTAL REVENUES	<u>1,414,208</u>	<u>100,086</u>	<u>1,514,294</u>
EXPENSES			
(See Supplementary Information)			
General and Administrative	410,190	-	410,190
Common Area	467,377	-	467,377
Grounds	259,355	-	259,355
Recreation Administrative	103,960	-	103,960
Recreation Maintenance	153,636	-	153,636
TOTAL EXPENSES	<u>1,394,518</u>	<u>-</u>	<u>1,394,518</u>
EXCESS REVENUES (EXPENSES)	19,690	100,086	119,776
FUND BALANCE - BEGINNING	182,720	420,906	603,626
INTERFUND TRANSFER	<u>(27,000)</u>	<u>27,000</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 175,410</u>	<u>\$ 547,992</u>	<u>\$ 723,402</u>

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

**MADISON GREEN MASTER
ASSOCIATION, INC.**

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS REVENUES (EXPENSES)	\$ 19,690	\$ 100,086	\$ 119,776
ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Interfund Transfer	(27,000)	27,000	0
DECREASE (INCREASE) IN ASSETS:			
Unit Owner Receivable	105,237		105,237
Insurance Claim Receivable	(1,070)		(1,070)
Prepaid Expenses	(9,031)		(9,031)
Prepaid Insurance	(580)		(580)
Utility Deposits	4,910		4,910
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable	4		4
Insurance Payable	(1,777)		(1,777)
Accounts Payable - Legal Fees	20,167		20,167
ARC Deposits	3,808		3,808
Prepaid Maintenance Fees	(15,925)		(15,925)
Deferred Cable Income	(21,468)		(21,468)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	76,965	127,086	204,051
NET INCREASE (DECREASE) IN CASH	76,965	127,086	204,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	200,948	420,906	621,854
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 277,913	\$ 547,992	\$ 825,905

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

**MADISON GREEN MASTER
ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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 and money market accounts 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.

**MADISON GREEN MASTER
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, 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, 2011 and therefore, no adjustment for the effect of FASB ASC 820 was made to the Associations' financial statements at December 31, 2011.

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, 2011, consists of the following:

COMPONENTS	BALANCE 12/31/2010	INTEREST/ ASSESSMENTS	TRANSFERS	EXPENDITURES	BALANCE 12/31/2011
General	\$399,198	\$96,000	\$27,000	\$0	\$522,198
Interest	21,708	4,086	0	0	25,794
TOTAL	\$420,906	\$100,086	\$27,000	\$0	\$547,992

**MADISON GREEN MASTER
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2011

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 2011 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 2009, 2010 and 2011 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 NEGOTIATIONS/ 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, 2011, \$21,468 was recognized as income leaving the Association with Deferred Cable Income of \$112,712

**MADISON GREEN MASTER
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2011

8. INSURANCE CLAIM

On December 16, 2011, the Association suffered damage to the property. This damage was covered by the Association's insurance and the Association received a check in the amount of \$1,070 in 2012

9. SUBSEQUENT EVENT/ ACCOUNTS PAYABLE LEGAL

The Association has been in dispute with its prior legal counsel for several years over claims of unpaid bills. In March of 2012, this dispute was settled and the Association agreed to and paid its former legal counsel \$47,500. The Association had previously recognized \$27,333 in a prior period, therefore the Association expensed the remaining \$20,167 in 2011.

The subsequent events have been evaluated through March 29, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**MADISON GREEN MASTER
ASSOCIATION, INC.**

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

**December 31, 2011
(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:

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>	<u>2012 FUNDING REQUIREMENT</u>
Roofing	3-13 Years	\$150,583	\$6,947
Painting	3 Years	23,191	2,453
Paving	7-49 Years	246,119	10,365
Interiors	0-19 Years	340,988	20,346
Restoration	0-49 Years	101,365	4,985
Pool Area	0-17 Years	250,062	20,136
Sports Courts	0-17 Years	106,020	6,261
TOTAL		<u>\$1,218,328</u>	<u>\$71,493</u>

See independent auditors' report.

**MADISON GREEN MASTER
ASSOCIATION, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2011

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>REVENUES:</u>			
Maintenance Fees	\$1,312,350	\$1,312,350	\$0
Legal Fee Recovery	17,951	45,000	(27,049)
Interest Income	1,039	2,000	(961)
Interest from Owners	7,502	2,000	5,502
Late Fees	43,587	27,000	16,587
Estoppel	300	2,500	(2,200)
Club House Rental	4,850	7,000	(2,150)
ID card	2,060	1,500	560
NSF Fees	805	0	805
Insurance Proceeds	1,070	0	1,070
Other Income	253	4,360	(4,107)
Owner Miscellaneous Charges	973	2,000	(1,027)
Cable Negotiations	21,468	0	21,468
Total Revenues	<u>1,414,208</u>	<u>1,405,710</u>	<u>8,498</u>
<u>EXPENSES:</u>			
<u>GENERAL AND ADMINISTRATIVE</u>			
Insurance	43,536	45,000	1,464
Licenses and Permits	852	1,500	648
Salaries	99,763	99,000	(763)
Professional Fees	4,883	5,000	117
Legal Fees	34,433	68,000	33,567
Bank Charges	1,074	1,000	(74)
Office Equipment	7,433	3,000	(4,433)
Office Supplies and Printing	10,056	10,000	(56)
Postage	4,699	6,000	1,301
Telephone	4,905	2,000	(2,905)
Bad Debt	147,500	147,500	0
Accounting Service	27,595	29,000	1,405
Contingency	3,294	0	(3,294)
Legal Settlement	20,167	0	(20,167)
TOTAL GENERAL AND ADMINISTRATIVE	<u>410,190</u>	<u>417,000</u>	<u>6,810</u>
<u>COMMON AREAS</u>			
Electrical	0	5,000	5,000
Cable TV	465,765	471,060	5,295
Channel 63 and Website	250	500	250
Repairs and Maintenance	1,362	2,000	638
TOTAL COMMON AREAS	<u>467,377</u>	<u>478,560</u>	<u>11,183</u>

See independent auditors' report.

**MADISON GREEN MASTER
ASSOCIATION, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2011

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>EXPENSES (Continued):</u>			
<i><u> GROUNDS</u></i>			
Lawn and Landscape Maintenance	129,625	135,000	5,375
Fertilizer and Pest Control	19,285	17,700	(1,585)
Landscape Extra	12,394	5,000	(7,394)
Mulch	6,846	15,000	8,154
Trees and Palms Trimming	24,101	13,000	(11,101)
Lakes and Preserves	45,061	46,000	939
Seasonal Flowers	528	2,000	1,472
Irrigation Repairs and Maintenance	21,515	20,000	(1,515)
TOTAL GROUNDS	<u>259,355</u>	<u>253,700</u>	<u>(5,655)</u>
 <i><u> RECREATION ADMINISTRATIVE</u></i>			
Wages	100,503	109,000	8,497
Uniforms	1,302	750	(552)
Club House Functions	2,155	4,000	1,845
TOTAL RECREATION ADMINISTRATIVE	<u>103,960</u>	<u>113,750</u>	<u>9,790</u>

See independent auditors' report.

**MADISON GREEN MASTER
ASSOCIATION, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2011

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>EXPENSES (Continued):</u>			
<u>RECREATION MAINTENANCE</u>			
Air Conditioning	649	3,000	2,351
Monitoring Cameras	1,990	1,000	(990)
Alarm System	3,016	1,700	(1,316)
ID System and Doors	526	2,000	1,474
Guard Service	0	3,000	3,000
Gym Maintenance	2,713	4,000	1,287
Pool Maintenance	15,490	17,500	2,010
Pool Repair and Upgrade	6,982	5,000	(1,982)
Tennis and Basketball Courts	1,278	2,000	722
Golf Cart and Minor Equipment	65	500	435
Janitorial Supplies	5,969	4,000	(1,969)
Trash Removal	3,700	4,000	300
Electricity	56,117	55,000	(1,117)
Water and Sewer	6,656	7,000	344
Pest Control	419	500	81
Repairs and Maintenance	15,623	5,500	(10,123)
Lanai Project 2011	32,443	0	(32,443)
TOTAL RECREATION MAINTENANCE	<u>153,636</u>	<u>115,700</u>	<u>(37,936)</u>
Total Operating Expenses	<u>1,394,518</u>	<u>1,378,710</u>	<u>(15,808)</u>
Excess Operating Revenues (Expenses)	19,690	27,000	(7,310)
INTERFUND TRANSFER	<u>(27,000)</u>	<u>(27,000)</u>	<u>0</u>
Total Excess Operating Revenues (Expenses)	<u>(\$7,310)</u>	<u>\$0</u>	<u>\$7,310</u>

See independent auditors' report.