

Falmouth Airpark
Homeowners' Association, Inc.

Report on Review
of Financial Statements

December 31, 2011



Patricia G. Cobb, P.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Accountant's Review Report

The Board of Directors
Falmouth Airpark Homeowners' Association, Inc.
Waquoit, Massachusetts

I have reviewed the accompanying balance sheet of Falmouth Airpark Homeowners' Association, Inc. as of December 31, 2011, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended. A review includes primarily applying analytical procedures to the management's financial data and making inquiries of the management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the result of my procedures provide a reasonable basis for my report.

The supplementary information on future major repairs and replacements is not a required part of the financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have compiled the supplementary information from information that is representation of management of Falmouth Airpark Homeowners' Association, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

Patricia G. Cobb
Certified Public Accountant
March 22, 2012

Falmouth Airpark Homeowners' Association, Inc.
Balance Sheet
December 31, 2011

	Operating Fund	Reserve Fund	Total
<u>Assets</u>			
Cash	\$ 44,295	\$ 15,370	\$ 59,665
Certificates of deposit	-	158,738	158,738
Accounts receivable, less allowance for doubtful accounts of \$20,556	1,025	-	1,025
Fuel inventory	539	-	539
Prepaid expenses	5,059	-	5,059
Refundable taxes	691	-	691
Interfund balances	(50,468)	50,468	-
Property, net of accumulated depreciation of \$183,495	<u>276,179</u>	<u>138,856</u>	<u>415,035</u>
	<u><u>\$ 277,320</u></u>	<u><u>\$ 363,432</u></u>	<u><u>\$ 640,752</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable & accrued expenses	\$ 2,180	\$ -	\$ 2,180
Assessments paid in advance	42,165	-	42,165
Deposits	11,725	-	11,725
Loan payable - bank	<u>165,953</u>	<u>-</u>	<u>165,953</u>
Total Liabilities	222,023	-	222,023
Fund balance	<u>55,297</u>	<u>363,432</u>	<u>418,729</u>
	<u><u>\$ 277,320</u></u>	<u><u>\$ 363,432</u></u>	<u><u>\$ 640,752</u></u>

See accountant's review report
and notes to financial statements.

Falmouth Airpark Homeowners' Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance
Year ended December 31, 2011

	<u>Operating</u> <u>Fund</u>	<u>Reserve</u> <u>Fund</u>	<u>Total</u>
Revenues:			
Member assessments	\$ 118,300	\$ -	\$ 118,300
Fuel income, net of fuel cost	11,141	-	11,141
Rental income	95,718	-	95,718
Interest, fines and other income	<u>5,909</u>	<u>4,993</u>	<u>10,902</u>
	231,068	4,993	236,061
Expenses:			
Insurance	14,734	-	14,734
Legal and accounting	29,703	-	29,703
Office and miscellaneous expense	8,900	-	8,900
Interest expense	13,758	-	13,758
Landscaping	2,513	-	2,513
Repairs and maintenance	27,626	-	27,626
Street lights	22,000	27,308	49,308
Employee expenses	58,110	-	58,110
Utilities	8,270	-	8,270
Taxes	12,440	-	12,440
Bad debt expense	7,738	-	7,738
Depreciation	<u>13,940</u>	<u>26,078</u>	<u>40,018</u>
	219,732	53,386	273,118
Excess (deficit) of revenues over expenses	11,336	(48,393)	(37,057)
Fund Balance, beginning of year	<u>43,961</u>	<u>411,825</u>	<u>455,786</u>
Fund Balance, end of year	<u>\$ 55,297</u>	<u>\$ 363,432</u>	<u>\$ 418,729</u>

See accountant's review report
and notes to financial statements.

Falmouth Airpark Homeowners' Association, Inc.
Statement of Cash Flows
Year ended December 31, 2011

	Operating Fund	Reserve Fund	<u>Total</u>
Cash Flows from Operating Activities			
Excess/(deficit) of revenues over expenses	\$ 11,736	\$ (12,623)	\$ (887)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:			
Depreciation	13,940	26,078	40,018
Allowance for doubtful accounts	818	-	818
Changes in assets and liabilities:			
Accounts receivable	(923)	48,347	47,424
Fuel inventory	1,102	-	1,102
Prepaid expenses	909	-	909
Refundable taxes	726	-	726
Accounts payable and accrued expenses	(1,438)	(60,434)	(61,872)
Assessments paid in advance	(8,445)	-	(8,445)
Deposits	(4,900)	-	(4,900)
Net cash flows provided by (used in) operating activities	11,307	(34,402)	(23,095)
Cash Flows from Investing Activities:			
Proceeds from the sale of certificates of deposit	-	21,359	21,359
Net cash flows provided by investing activities	-	21,359	21,359
Cash Flows from Financing Activities:			
Principal payments on bank loan	(55,981)	-	(55,981)
Interfund borrowing	22,101	(22,101)	-
Net cash flows used in financing activities	33,880	22,101	55,981
Net Decrease in Cash	(22,573)	(35,144)	(57,717)
Cash, beginning of year	\$ 66,868	\$ 30,514	\$ 97,382
Cash, end of year	\$ 44,295	\$ 15,370	\$ 59,665
Additional Cash Flow Information			
Cash paid for interest	\$ 13,758	-	\$ 13,758
Cash paid for income taxes	\$ 488	-	\$ 488

See accountant's review report
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B. Summary of Significant Accounting Policies (continued):

Property -

Real property and common areas deeded by the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual homeowners in common and not by the Association.

Building and land improvements that were constructed and paid for by the Association and used primarily to generate income from non-members are capitalized at cost. Such buildings and land improvements are depreciated over a thirty-nine year and fifteen-year life, respectively.

The Association capitalizes personal property such as equipment and vehicles at cost and depreciates them using the straight-line method, over a five-year life.

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.

The Association has evaluated all subsequent events through March 22, 2012, the date the financial statements were available to be issued and determined there were no events that required disclosure.

C. Property:

Property was composed of the following fixed assets as of December 31, 2011:

	<u>Operating</u>	<u>Reserve</u>
Hangar building	\$ 313,725	\$ -
Land improvements	47,734	117,230
Equipment	23,523	43,678
Vehicles	<u>5,000</u>	<u>47,640</u>
	389,982	208,548
Less accumulated depreciation	<u>(113,803)</u>	<u>(69,692)</u>
	<u>\$ 276,179</u>	<u>\$ 138,856</u>

D. Loan Payable - Bank:

In 2003, the Association obtained a secured loan from a bank to help finance the construction of hangars, which are rented primarily to third-party aviators. As of December 31, 2011 the outstanding loan balance was \$165,953. The loan bears interest at 6.26% and is payable in monthly installments including principal and interest of \$2,374.

Future principal maturities are as follows:

2012	\$ 15,990
2013	17,020
2014	18,117
2015	19,284
Thereafter	<u>95,542</u>
	<u>\$ 165,953</u>

See accountant's review report.

E. Reserve Funds:

As of December 31, 2011, reserve funds consisted of money market funds and a certificate of deposit. The reserve has been allocated into three sub-accounts in accordance with their intended use.

Capital improvements	\$ 199,182
Equipment replacement	79,250
Major maintenance	<u>85,000</u>
Total	<u>\$ 363,432</u>

F. Common Charges Assessed:

Regular assessments for the year ended December 31, 2011 were \$118,300.

The annual budget and assessments of owners are determined by the Directors and Officers. The Association retains the excess operating funds at the end of the operating year, if any, for use in future operating periods.

G. Rental Income:

The Association receives rental income from both owners and third party aviators for the rental of indoor hangars, outdoor tie-downs, and boat storage facilities. During the year ended December 31, 2011, the Association received \$95,718 in rental income, of which approximately 79% was received from third party aviators.

H. Future Major Repairs and Maintenance:

In the spring of 2006 the Association hired an engineering firm to determine the remaining useful lives and the replacement costs of the components of common property. Actual expenditures may vary from the estimated amounts and the variations may be material. Amounts accumulated in the reserve fund may or may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments, or levy special assessments or it may delay major repairs and replacements until funds are available.

Falmouth Airpark Homeowners' Association, Inc.
Supplementary Information of Future Repairs & Replacements
(Unaudited)

In the spring of 2006 the Association hired an engineering firm to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future replacements costs.

The following table is based on the first draft of the study and presents significant information about the components of common property as of June 2006.

<u>Component</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Future Replacement Costs</u>
Hangar - A (Big Hangar)	1-5 years	\$ 99,600
Hangar - B (Old T Hangars)	5 years	95,300
Hangar - C (New T Hangars)	17-22 years	149,800
Hangar - D (New T Hangars)	17-22 years	149,800
Maintenance building - short term	1-5 years	25,100
Maintenance building - long term	24 years	6,400
Fuel station	5-15 years	34,400
Administration building	5-10 years	14,210
Site utilities & lighting	5-10 years	40,750
Site components - short term	1-5 years	100,980
Site components - long term	6-20 years	666,990
 Total		<u>\$ 1,383,330</u>

See accountant's review report.