

**Majestic Beach Resort  
Community Association, Inc.**

**Financial Statements and  
Supplementary Information**

**December 31, 2007**

Majestic Beach Resort Community Association, Inc.  
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December 31, 2007

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
Majestic Beach Resort Community Association, Inc.  
Panama City Beach, Florida

We have audited the accompanying balance sheet of Majestic Beach Resort Community Association, Inc. as of December 31, 2007, and the related statements of revenue, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the management of Majestic Beach Resort Community Association, Inc. 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 Majestic Beach Resort Community Association, Inc. as of December 31, 2007, 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 basic financial statements taken as a whole. The accompanying schedules on pages 12-18 are presented for purposes of additional analysis and 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 the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

American Institute of  
Certified Public Accountants

Alabama Society of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

Mississippi Society of  
Certified Public Accountants

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The Supplementary Information on Future Major Repairs and Replacements on page 19 is not a required part of the basic financial statements of Majestic Beach Resort Community Association, Inc., but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted 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.

*Carr, Riggs & Ingram, L.L.C.*

Mary Esther, Florida  
March 3, 2008

Majestic Beach Resort Community Association, Inc.

Balance Sheet

December 31,

2007

	Operating Fund	Maintenance Contingency/ Working Capital Fund	Replacement Fund	Total
<b>Assets</b>				
Cash	\$ 299,104	\$ 283,778	\$ 184,480	\$ 767,362
Accounts receivable, net	62,913	-	-	62,913
Interfund accounts	-	70,000	-	70,000
Prepaid expenses	348,799	-	-	348,799
Property and equipment, net	23,773	-	-	23,773
Utility deposits	850	-	-	850
<b>Total assets</b>	<b>\$ 735,439</b>	<b>\$ 353,778</b>	<b>\$ 184,480</b>	<b>\$ 1,273,697</b>

**Liabilities and Fund Balances**

**Liabilities**

Accounts payable	\$ 97,361	\$ -	\$ -	\$ 97,361
Interfund accounts	70,000	-	-	70,000
Note payable	238,760	-	-	238,760
Taxes payable	1,439	-	-	1,439
Prepaid assessments	208,747	-	-	208,747

Total liabilities 616,307 - - 616,307

Fund balances 119,132 353,778 184,480 657,390

Total liabilities and fund balances \$ 735,439 \$ 353,778 \$ 184,480 \$ 1,273,697

See accompanying notes to financial statements.

Majestic Beach Resort Community Association, Inc.

Statement of Revenue, Expenses and Changes in Fund Balances

Year ended December 31,

2007

	Operating Fund	Maintenance Contingency/ Working Capital Fund	Replacement Fund	Total
<b>Revenue</b>				
Assessment fees	\$ 2,752,794	\$ -	\$ 182,100	\$ 2,934,894
Late fees	20,259	-	-	20,259
Lease income	26,330	-	-	26,330
Interest income	-	6,104	2,380	8,484
			-	
Total revenue	2,799,383	6,104	184,480	2,989,967
<b>Expenses</b>				
Administrative	269,903	-	-	269,903
Insurance	778,362	-	-	778,362
Personnel	384,961	-	-	384,961
Repairs and maintenance	328,263	-	90,696	418,959
Replacement fund contribution	36,188	-	-	36,188
Security	222,549	-	-	222,549
Utilities	648,460	-	-	648,460
Total expenses	2,668,686	-	90,696	2,759,382
<b>Excess revenue over expenses</b>	130,697	6,104	93,784	230,585
<b>Beginning fund balances</b>	125,253	299,315	-	424,568
Interfund transfers	(136,818)	46,122	90,696	-
Working capital contributions	-	2,237	-	2,237
<b>Ending fund balances</b>	\$ 119,132	\$ 353,778	\$ 184,480	\$ 657,390

See accompanying notes to financial statements.

Majestic Beach Resort Community Association, Inc.

Statement of Cash Flows

Year ended December 31	2007			
	Operating Fund	Maintenance Contingency/ Working Capital Fund	Replacement Fund	Total
<b>Operating activities</b>				
Regular assessments collected	\$ 2,686,064	\$ -	\$ 182,100	\$ 2,868,164
Interest received	-	6,104	2,380	8,484
Other income	46,589	-	-	46,589
Cash paid for operating expenses	(2,697,367)	-	(90,696)	(2,788,063)
Net cash provided by operating activities	35,286	6,104	93,784	135,174
<b>Investing activities</b>				
Purchase of equipment	(8,999)	-	-	(8,999)
<b>Financing activities</b>				
Working capital contributions	-	2,237	-	2,237
Note payable	205,336	-	-	205,336
Interfund accounts	(189,066)	98,370	90,696	-
Net cash provided by financing activities	16,270	100,607	90,696	207,573
<b>Net increase in cash</b>	42,557	106,711	184,480	333,748
<b>Cash at beginning of year</b>	256,547	177,067	-	433,614
<b>Cash at end of year</b>	\$ 299,104	\$ 283,778	\$ 184,480	\$ 767,362

(Continued on next page)

See accompanying notes to financial statements.

Majestic Beach Resort Community Association, Inc.

Statement of Cash Flows

Year ended December 31

2007

	Operating Fund	Maintenance Contingency/ Working Capital Fund	Replacement Fund	Total
<b>Reconciliation of excess revenue over expenses to net cash provided by operating activities:</b>				
Excess revenue over expenses	\$ 130,697	\$ 6,104	\$ 93,784	\$ 230,585
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:				
Bad debt	24,318	-	-	24,318
Depreciation	5,458	-	-	5,458
(Increase) decrease in assets:				
Accounts receivable	(48,274)	-	-	(48,274)
Prepaid expense	(59,874)	-	-	(59,874)
Increase (decrease) in liabilities:				
Accounts payable	24,994	-	-	24,994
Taxes payable	741	-	-	741
Prepaid assesments	(42,774)	-	-	(42,774)
<b>Net cash provided by operating activities</b>	<b>\$ 35,286</b>	<b>\$ 6,104</b>	<b>\$ 93,784</b>	<b>\$ 135,174</b>

See accompanying notes to financial statements.

**NOTE 1 - NATURE OF ORGANIZATION**

Majestic Beach Resort Community Association, Inc was incorporated April 13, 2005, under the Laws of the State of Florida, as a not-for-profit corporation for the operation, management, maintenance and control of Majestic Beach Resort Condominiums, Panama City Beach, FL. The complex consists of two high rise buildings; Tower One with 329 residential condominium units and 21 commercial units and Tower Two with 194 residential condominium units and 10 commercial units. The condominiums are located in Bay County, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including roofs, building exteriors, elevators, parking areas and landscaping, etc. Disposition of common area property requires unanimous consent of the members.

Management and accounting services are provided to the Association by Majestic Beach Management Company, LLC. The Association itself does not have a rental program; however, the individual unit owners contract separately with various realty companies to operate their rental program

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

A summary of the Association's significant accounting policies applied in the preparation of the accompanying financial statements is as follows.

***Basis of Presentation***

The accompanying financial statements include the assets, liabilities, fund balances, revenue, and expenses as determined using the accrual basis of accounting.

***Funds***

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors or the Association voting membership. The financial statements segregate the accounting for such funds as either operating or replacement funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors and the Association's manager.

The replacement fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the replacement fund is allocated to a separate line item.

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

***Funds-continued***

The maintenance contingency fund is generally used for common maintenance expenses not included in the current year's operating budget of the community association.

The working capital fund is generally used for common maintenance expenses not included in the current year's operating budget of the individual towers.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Assessments Receivable from Owners and Allowance for Doubtful Accounts***

Assessments receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectibility of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. As of December 31, 2007, the balance in the allowance for doubtful accounts was \$24,318.

***Capitalization and Depreciation***

Real property acquired by the Association is capitalized when it is used to generate significant cash flows from members on the basis of usage or from nonmembers or can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property not capitalized includes building exteriors, roofs, swimming pools, fencing, landscaping, etc.

Personal property acquired by using the Association's funds is recorded at cost and is depreciated using the straight-line method over its estimated useful lives, which range from 5-7 years.

***Revenue Recognition***

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

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

***Financial Statement***

For the financial statements presented on pages 3-6, interdivision revenue and expenses (i.e. community property expense paid by individual condominiums to the Community Association) have been eliminated.

**NOTE 3 - OWNERS' ASSESSMENTS**

Quarterly assessments for Tower One are based on the 2007 owner approved budget and vary according to square footage of the units. Assessments for the 329 residential units range from \$589 to \$2,212 and from \$151 to \$3,290 for the 21 commercial units. Regular assessments for the year ended December 31, 2007 totaled \$1,717,101.

Quarterly assessments for Tower Two are based on the 2007 owner approved budget and vary according to square footage of the units. Assessments for the 194 residential units range from \$1,154 to \$1,998 and from \$142 to \$1,032 for the 10 commercial units. Regular assessments for the year ended December 31, 2007 totaled \$1,181,605.

**NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments. The balance in these accounts as of December 31, 2007 was \$184,480.

The Board of Directors and management annually review the major components of common property. As part of this review, they estimate the remaining useful lives and the replacements costs of the common property components. The Association is funding for major repairs and replacements over the remaining estimated useful lives of the components based on the Board's and management's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund.

Actual expenditures may vary from the estimated amounts and the variations may be significant; therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

**NOTE 5 - CONTINGENCIES**

The insurance policy for windstorm coverage renewed May 14, 2007. The deductible amount for named hurricane storms is estimated at \$1,994,010 which represents 3% of the insured value of the residential buildings. In addition, the Association's windstorm policy is underwritten by the State of Florida's Citizens Property Insurance Corporation (Citizens). In the event Citizens incurs a deficit that exceeds the amount collected via regular premiums, an emergency assessment may be levied. The Association may be required to pay substantially more in insurance premiums relating to the year for which the emergency assessment is levied.

**NOTE 6 - INCOME TAXES**

For the year ended December 31, 2007, the Association was taxed under the provisions of the Internal Revenue Code Section 277. Under IRC Section 277, the Association is required to separate membership income and expenses from non membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2007, the Association's net non membership income was \$8,338, which resulted in federal and state income taxes of \$1,251 and \$188, respectively.

**NOTE 7 - CREDIT RISKS**

The Association assesses regular assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual condominium units. Should the collection of any such liens be enforced by the sale of the unit, the collectibility of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens which have priority. Market value may be influenced by the real estate market in south Bay County, Florida.

The Association places its cash with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit of \$100,000.

**NOTE 8 - PROPERTY AND EQUIPMENT**

Property and Equipment consists of the following:

Equipment	\$	33,627
Less accumulated depreciation		9,854
<hr/>		
Property and equipment, net	\$	23,773
<hr/>		

Depreciation expense for 2007 was \$5,458.

**NOTE 9 - CAPITAL CONTRIBUTIONS**

Each purchaser of a unit from the Developer pays the Association a sum equal to one quarter's assessment fees. This initial contribution is used for operating capital of the Association. For the year ended December 31, 2007, the owners contributed \$1,178 for Tower One and \$1,059 for Tower Two for a total of \$2,237.

**NOTE 10 - DEVELOPER RELATED ACTIVITY**

As of December 31, 2007, the developer, Majestic Beach Towers Development LLC, owned 12 residential units and 31 commercial units. For the year ended December 31, 2007, the developer paid residential unit assessments of \$58,065 and commercial unit assessments of \$82,797 which is included in assessment fees on page 4.

**NOTE 11 - NOTE PAYABLE**

The Association obtained a short-term, unsecured note payable to finance its annual insurance premiums. The note is payable in ten monthly installments of \$79,590 including interest at 6.25%, and matures in March 2008. The balance due as of December 31, 2007 totaled \$238,760.

**NOTE 12 - COMMUNITY PROPERTY EXPENSE**

Assessment fees are paid by unit owners based on square footage as mentioned in Note 3. The Community Association pays for certain common expenses that are shared by Tower One and Tower Two. Each tower contributes to the Community Association based on the number of units in each building. The community property expense of \$736,590 and \$434,342 for Tower One and Tower Two, respectively, is reflected as on the Schedule of Revenue, Expenses and Changes in Fund Balances. The total of \$1,170,932 is reflected as revenue on the Schedule of Revenue, Expenses and Changes in Fund Balances for the Community Association. As mentioned in Note 2, inter-association revenue and expense has been eliminated on the Statement of Revenue, Expenses and Changes in Fund Balances.

## Supplementary Information

Majestic Beach Resort Community Association, Inc.

Balance Sheet

December 31,

2007

Community	Operating Fund	Maintenance Contingency Fund	Replacement Fund	Total
<b>Assets</b>				
Cash	\$ 48,974	\$ 24,599	\$ 36,541	\$ 110,114
Intercompany accounts	218,418	-	-	218,418
Prepaid expenses	33,989	-	-	33,989
Property and equipment, net	23,773	-	-	23,773
Utility deposits	850	-	-	850
<b>Total assets</b>	<b>\$ 326,004</b>	<b>\$ 24,599</b>	<b>\$ 36,541</b>	<b>\$ 387,144</b>

**Liabilities and Fund Balances**

**Liabilities**

Accounts payable	\$ 68,460	\$ -	\$ -	\$ 68,460
Note payable	238,760	-	-	238,760
Taxes payable	1,439	-	-	1,439
<b>Total liabilities</b>	<b>308,659</b>	<b>-</b>	<b>-</b>	<b>308,659</b>
<b>Fund balances</b>	<b>17,345</b>	<b>24,599</b>	<b>36,541</b>	<b>78,485</b>
<b>Total liabilities and fund balances</b>	<b>\$ 326,004</b>	<b>\$ 24,599</b>	<b>\$ 36,541</b>	<b>\$ 387,144</b>

Majestic Beach Resort Community Association, Inc.

Balance Sheet

December 31,

2007

Tower One	Operating Fund	Working Capital Fund	Replacement Fund	Total
<b>Assets</b>				
Cash	\$ 122,386	\$ 125,884	\$ 87,051	\$ 335,321
Accounts receivable, net	42,619	-	-	42,619
Intercompany accounts	-	70,000	-	70,000
Prepaid expenses	172,294	-	-	172,294
<b>Total assets</b>	<b>\$ 337,299</b>	<b>\$ 195,884</b>	<b>\$ 87,051</b>	<b>\$ 620,234</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 17,756	\$ -	\$ -	\$ 17,756
Intercompany accounts	188,880	-	-	188,880
Prepaid assessments	122,985	-	-	122,985
<b>Total liabilities</b>	<b>329,621</b>	<b>-</b>	<b>-</b>	<b>329,621</b>
<b>Fund balances</b>	<b>7,678</b>	<b>195,884</b>	<b>87,051</b>	<b>290,613</b>
<b>Total liabilities and fund balances</b>	<b>\$ 337,299</b>	<b>\$ 195,884</b>	<b>\$ 87,051</b>	<b>\$ 620,234</b>

Majestic Beach Resort Community Association, Inc.

Balance Sheet

December 31,

2007

Tower Two	Operating Fund	Working Capital Fund	Replacement Fund	Total
<b>Assets</b>				
Cash	\$ 127,744	\$ 133,295	\$ 60,888	\$ 321,927
Accounts receivable, net	20,294	-	-	20,294
Prepaid expenses	142,516	-	-	142,516
<b>Total assets</b>	<b>\$ 290,554</b>	<b>\$ 133,295</b>	<b>\$ 60,888</b>	<b>\$ 484,737</b>

**Liabilities and Fund Balances**

**Liabilities**

Accounts payable	\$ 11,145	\$ -	\$ -	\$ 11,145
Intercompany accounts	99,538	-	-	99,538
Prepaid assessments	85,762	-	-	85,762
<b>Total liabilities</b>	<b>196,445</b>	<b>-</b>	<b>-</b>	<b>196,445</b>
<b>Fund balances</b>	<b>94,109</b>	<b>133,295</b>	<b>60,888</b>	<b>288,292</b>
<b>Total liabilities and fund balances</b>	<b>\$ 290,554</b>	<b>\$ 133,295</b>	<b>\$ 60,888</b>	<b>\$ 484,737</b>

Majestic Beach Resort Community Association, Inc.

Schedule of Revenue, Expenses and Changes in Fund Balances

Year ended December 31

2007

Community	Operating Fund	Maintenance		Total
		Contingency Fund	Replacement Fund	
<b>Revenue</b>				
Community property fees	\$ 1,170,932	\$ -	\$ 36,188	\$ 1,207,120
Lease income	26,330	-	-	26,330
Interest income	-	63	353	416
<b>Total revenue</b>	<b>1,197,262</b>	<b>63</b>	<b>36,541</b>	<b>1,233,866</b>
<b>Expenses</b>				
Administrative	54,884	-	-	54,884
Insurance	55,800	-	-	55,800
Personnel	384,961	-	-	384,961
Repairs and maintenance	213,796	-	-	213,796
Replacement fund contribution	36,188	-	-	36,188
Security	222,549	-	-	222,549
Utilities	230,870	-	-	230,870
<b>Total expenses</b>	<b>1,199,048</b>	<b>-</b>	<b>-</b>	<b>1,199,048</b>
<b>Excess (deficit) revenue over expenses</b>	<b>(1,786)</b>	<b>63</b>	<b>36,541</b>	<b>34,818</b>
<b>Beginning fund balances</b>	<b>43,667</b>	<b>-</b>	<b>-</b>	<b>43,667</b>
Interfund transfers	(24,536)	24,536	-	-
<b>Ending fund balances</b>	<b>\$ 17,345</b>	<b>\$ 24,599</b>	<b>\$ 36,541</b>	<b>\$ 78,485</b>

Majestic Beach Resort Community Association, Inc.

Schedule of Revenue, Expenses and Changes in Fund Balances

Year ended December 31

2007

Tower One	Operating Fund	Working Capital Fund	Replacement Fund	Total
<b>Revenue</b>				
Assessment fees	\$ 1,631,317	\$ -	\$ 85,784	\$ 1,717,101
Late fees	13,379	-	-	13,379
Interest income	-	2,976	1,267	4,243
<b>Total revenue</b>	<b>1,644,696</b>	<b>2,976</b>	<b>87,051</b>	<b>1,734,723</b>
<b>Expenses</b>				
Administrative	136,646	-	-	136,646
Community property	736,590	-	-	736,590
Insurance	383,695	-	-	383,695
Repairs and maintenance	70,523	-	82,996	153,519
Utilities	256,568	-	-	256,568
<b>Total expenses</b>	<b>1,584,022</b>	<b>-</b>	<b>82,996</b>	<b>1,667,018</b>
<b>Excess revenue over expenses</b>	<b>60,674</b>	<b>2,976</b>	<b>4,055</b>	<b>67,705</b>
<b>Beginning fund balances</b>	<b>113,497</b>	<b>108,233</b>	<b>-</b>	<b>221,730</b>
Interfund transfers	(166,493)	83,497	82,996	-
Working capital contributions	-	1,178	-	1,178
<b>Ending fund balances</b>	<b>\$ 7,678</b>	<b>\$ 195,884</b>	<b>\$ 87,051</b>	<b>\$ 290,613</b>

Majestic Beach Resort Community Association, Inc.

Schedule of Revenue, Expenses and Changes in Fund Balances

<i>Year ended December 31</i>	<b>2007</b>			
<b>Tower Two</b>	<b>Operating Fund</b>	<b>Working Capital Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Revenue</b>				
Assessment fees	\$ 1,121,477	\$ -	\$ 60,128	<b>\$ 1,181,605</b>
Late fees	6,880	-	-	<b>6,880</b>
Interest income	-	3,065	760	<b>3,825</b>
<b>Total revenue</b>	<b>1,128,357</b>	<b>3,065</b>	<b>60,888</b>	<b>1,192,310</b>
<b>Expenses</b>				
Administrative	78,373	-	-	<b>78,373</b>
Community property	434,342	-	-	<b>434,342</b>
Insurance	338,867	-	-	<b>338,867</b>
Repairs and maintenance	43,944	-	7,700	<b>51,644</b>
Utilities	161,022	-	-	<b>161,022</b>
<b>Total expenses</b>	<b>1,056,548</b>	<b>-</b>	<b>7,700</b>	<b>1,064,248</b>
<b>Excess revenue over expenses</b>	<b>71,809</b>	<b>3,065</b>	<b>53,188</b>	<b>128,062</b>
<b>Beginning fund balances</b>	<b>(31,911)</b>	<b>191,082</b>	<b>-</b>	<b>159,171</b>
Interfund transfers	54,211	(61,911)	7,700	-
Working capital contributions	-	1,059	-	<b>1,059</b>
<b>Ending fund balances</b>	<b>\$ 94,109</b>	<b>\$ 133,295</b>	<b>\$ 60,888</b>	<b>\$ 288,292</b>

Majestic Beach Resort Community Association, Inc.

Schedule of Future Major Repairs and Replacements

Year ended December 31,

2007

Community					
Component	Beginning Balance	Revenue	Expenses	Interfund Transfers	Ending Balance
Elevator	\$ -	\$ 4,168	\$ -	\$ -	\$ 4,168
Pavement	-	1,688	-	-	1,688
Pools #1	-	6,750	-	-	6,750
Pools #2	-	750	-	-	750
Spa #1	-	4,000	-	-	4,000
Spa #2	-	332	-	-	332
Garage exterior	-	2,000	-	-	2,000
Walkover #1	-	9,000	-	-	9,000
Walkover #2	-	7,500	-	-	7,500
Interest accumulation	-	353	-	-	353
<b>Total</b>	<b>\$ -</b>	<b>\$ 36,541</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,541</b>

Tower One					
Component	Beginning Balance	Revenue	Expenses	Interfund Transfers	Ending Balance
Elevators	\$ -	\$ 16,667	\$ (14,150)	\$ 14,150	\$ 16,667
Fire sprinkler	-	2,778	-	-	2,778
Generator	-	1,071	-	-	1,071
Painting	-	49,000	(68,846)	68,846	49,000
Roof	-	13,383	-	-	13,383
Water pump	-	2,885	-	-	2,885
Interest accumulation	-	1,267	-	-	1,267
<b>Total</b>	<b>\$ -</b>	<b>\$ 87,051</b>	<b>\$ (82,996)</b>	<b>\$ 82,996</b>	<b>\$ 87,051</b>

Tower Two					
Component	Beginning Balance	Revenue	Expenses	Interfund Transfers	Ending Balance
Elevators	\$ -	\$ 11,844	\$ -	\$ -	\$ 11,844
Fire sprinkler system	-	2,116	-	-	2,116
Generator	-	1,034	-	-	1,034
Painting	-	32,800	(7,700)	7,700	32,800
Roof	-	10,184	-	-	10,184
Water pump	-	2,150	-	-	2,150
Interest accumulation	-	760	-	-	760
<b>Total</b>	<b>\$ -</b>	<b>\$ 60,888</b>	<b>\$ (7,700)</b>	<b>\$ 7,700</b>	<b>\$ 60,888</b>

Majestic Beach Resort Community Association, Inc.

Supplementary Information on Future Major Repairs and Replacements (unaudited)

The following table presents significant information about the components of common property.

Component	Community	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Replacement Fund Balance at 12/31/07
Elevators		18	\$ 75,000	\$ 4,168
Pavement		16	27,000	1,688
Pool #1		8	54,000	6,750
Pool #2		9	36,000	750
Spa #1		8	6,000	4,000
Spa #2		9	3,000	332
Garage exterior		5	10,000	2,000
Walkover #1		5	45,000	9,000
Walkover #2		6	45,000	7,500
Interest accumulation		N/A	N/A	353
Total			\$ 301,000	\$ 36,541

Component	Tower One	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Replacement Fund Balance at 12/31/07
Elevators		18	\$ 300,000	\$ 16,667
Fire sprinkler system		18	50,000	2,778
Generator		29	30,000	1,071
Painting		5	245,000	49,000
Roof		18	240,900	13,383
Water pump		13	37,500	2,885
Interest accumulation		N/A	N/A	1,267
Total			\$ 903,400	\$ 87,051

Component	Tower Two	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Replacement Fund Balance at 12/31/07
Elevators		19	\$ 225,000	\$ 11,844
Fire sprinkler system		19	40,200	2,116
Generator		29	30,000	1,034
Painting		6	196,800	32,800
Roof		19	193,500	10,184
Water pump		14	30,100	2,150
Interest accumulation		N/A	N/A	760
Total			\$ 715,600	\$ 60,888