

Boychuk & Co., Certified Public Accountants

100, Davo 211
111 Marsh Road
Bristol, New York 14714

607-899-0100
FAX: 607-899-0101
www.boychuk.com

To the Board of Directors and Homeowners
Bristol View Homeowners Association, Inc.

We have audited the accompanying balance sheet of Bristol View Homeowners Association, Inc. as of December 31, 2008, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2007 financial statements, and in our report dated March 10, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards of 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 Bristol View Homeowners Association, Inc. at December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles of the United States of America.

Boychuk & Co.

January 29, 2009

BRISTOL VIEW HOMEOWNERS ASSOCIATION, INC.

Balance Sheet
December 31, 2008

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$43,882	38,185
Accounts receivable from homeowners (note 2)	1,356	2,209
Prepaid expenses	<u>427</u>	<u>546</u>
	<u>\$45,665</u>	<u>40,940</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$16,095	9,671
Advance payments by homeowners	5,581	5,808
Accrued income taxes (note 3)	<u>65</u>	<u>135</u>
	<u>21,741</u>	<u>15,614</u>
Fund balances:		
Operating	12,000	12,000
Major maintenance (note 5)	<u>11,924</u>	<u>13,326</u>
	<u>23,924</u>	<u>25,326</u>
	<u>\$45,665</u>	<u>40,940</u>

See accompanying notes to financial statements.

BRISTOL VIEW HOMEOWNERS ASSOCIATION, INC.

Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2008

	Operating Fund	Major Maintenance Fund	Total 2008	Operating Fund	Major Maintenance Fund	Total 2007
Revenues:						
Assessments (note 2)	\$155,695	26,573	182,268	152,368	21,932	174,300
Interest	-	567	567	-	1,123	1,123
	<u>155,695</u>	<u>27,140</u>	<u>182,835</u>	<u>152,368</u>	<u>23,055</u>	<u>175,423</u>
Expenses:						
Landscape care	86,425	18,952	105,377	80,431	11,960	92,391
Snow removal	26,456	-	26,456	29,568	-	29,568
Repairs and maintenance	5,194	10,234	15,428	5,037	21,571	26,608
Refuse removal	7,056	-	7,056	7,057	-	7,057
Utilities	864	-	864	-	-	912
Administrative	2,998	-	2,998	2,354	-	2,354
Management fees (note 4)	19,562	-	19,562	19,178	-	19,178
Professional fees	850	561	1,411	825	673	1,498
Insurance	4,420	-	4,420	5,705	-	5,705
Property taxes	628	-	628	597	-	597
Income taxes (note 3)	37	-	37	107	-	107
	<u>154,490</u>	<u>29,747</u>	<u>184,237</u>	<u>151,771</u>	<u>34,204</u>	<u>185,975</u>
Excess of revenues over (under) expenses	1,205	(2,607)	(1,402)	597	(11,149)	(10,552)
Transfers	(1,205)	1,205	-	1,403	(1,403)	-
Fund balances - beginning of year	<u>12,000</u>	<u>13,326</u>	<u>25,326</u>	<u>10,000</u>	<u>25,878</u>	<u>35,878</u>
Fund balances - end of year	<u>\$ 12,000</u>	<u>11,924</u>	<u>23,924</u>	<u>12,000</u>	<u>13,326</u>	<u>25,326</u>

See accompanying notes to financial statements.

BRISTOL VIEW HOMEOWNERS ASSOCIATION, INC.

Statement of Cash Flows
For the Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Cash flows from (used in) operating activities:		
Excess of revenues over (under) expenses	\$(1,402)	(10,552)
Net (increase) decrease in receivables, prepaid expenses, payables, advance payments and accrued expenses	<u>7,099</u>	<u>5,793</u>
Net increase (decrease) in cash and cash equivalents	5,697	(4,759)
Cash and cash equivalents - beginning of year	<u>38,185</u>	<u>42,944</u>
Cash and cash equivalents - end of year	<u>\$43,882</u>	<u>38,185</u>
Supplemental disclosure:		
Income taxes paid	\$ 107	50

See accompanying notes to financial statements.

BRISTOL VIEW HOMEOWNERS ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2008

1. Summary of Operations and Significant Accounting Policies

On February 8, 1993, the Association was incorporated under Section 402 of the New York State Not-For-Profit Corporation Law for the purpose of owning common land and maintaining common areas (consisting of asphalt, lawns and grounds) of eighty-three townhouses known as Bristol View Terrace Homes, in Fairport, New York. The homeowners elect a board of directors who hire an independent management firm to manage the Association. In connection with these operations, the following significant accounting policies have been adopted:

Fund accounting. The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the major maintenance fund generally may be made only for designated purposes.

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.

Cash equivalents. The Association considers all highly liquid investments to be cash equivalents.

2. Owners' Assessments

Monthly assessments to owners are \$183, of which a portion is allocated to the major maintenance fund. The annual budget and assessments of owners are determined by the board of directors. The Association may transfer a part of any year end operating surplus or deficit to or from the major maintenance fund. As of January 1, 2009, monthly assessments were increased to \$200.

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are significantly in arrears. It is the opinion of management that the Association will ultimately prevail against the homeowners whose assessments are delinquent and, accordingly, an allowance for doubtful accounts is not deemed necessary.

(Continued)

BRISTOL VIEW HOMEOWNERS ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2008

3. Income Taxes

Pursuant to the Tax Reform Act of 1976, homeowner associations are permitted to make an annual election to be treated as a regular corporation or a tax exempt organization. Each year the Association will file its tax return under the election which is most beneficial to the Association. Under Section 528 of the Internal Revenue Code, taxes are paid on non-exempt function income (principally interest income, less expenses).

4. Commitments

The Association has entered into an agreement with NorthCoast Corporation for management of its operations. The agreement provides for a monthly fee of \$1,638.17 until March 31, 2010, and \$1,679.12, \$1,721.10, \$1,764.13 and \$1,808.23 for the years ending December 31, 2011, 2012, 2013 and 2014, respectively.

5. Future Major Repairs and Replacements

The Association has elected to accumulate funds for future major repairs and replacements. Accumulated funds are accounted for separately and generally are not available for expenditures for normal operations.

The board of directors and management company determine amounts to be allocated to the major maintenance fund.

Funds are being accumulated in the major maintenance fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the major maintenance 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.

(Continued)

BRISTOL VIEW HOMEOWNERS ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2008

NorthCoast Corporation prepared a study, dated December 2, 2008, to estimate the remaining useful lives and the replacement costs of components of common property. The estimates are based on future estimated replacement costs, with a 3% inflation factor and 3% investment yield. Assessments are projected at inflation, plus an additional \$4.

The following unaudited table is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Future Replacement Costs</u>
Asphalt sealing	2 to 5	\$ 13,800
Asphalt resurface	1 and 8	130,691
Asphalt repairs	Annually	1,000-6,000
Drainage/utilities	Annually	300-600
Lightposts	Annually	2,000-2,500
Sidewalks	Annually	3,000-4,000
Signs	Annually	150
Mailboxes	Annually	500
Landscaping	Annually	7,000-10,000
Fences	2	4,806
Professional fees	Annually	800
Other	Annually	1,525-2,025