

**LONG HILL ESTATES  
CONDOMINIUM ASSOCIATION  
FINANCIAL STATEMENTS  
JUNE 30, 2007 and 2006**

**LONG HILL ESTATES CONDOMINIUM ASSOCIATION**  
**Financial Statements**  
**June 30, 2007**

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
Long Hill Estates Condominium Association  
PO Box 415  
Peterborough, NH 03458

We have reviewed the accompanying balance sheet of Long Hill Estates Condominium Association (a Homeowners Association) as of June 30, 2007 and 2006, and the related statement of income and retained earnings, and cash flow for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Long Hill Estates Condominium Association.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Generally accepted accounting principles require a disclosure of Supplementary Information on Future Major Repairs and Replacements. Management has elected to omit this disclosure. The effect of this departure from generally accepted accounting principles has not been determined.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles, except for management electing to omit disclosure of Supplementary Information on Future Major Repairs and Replacements as discussed in the previous paragraph.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Statement of Activities (Budget vs Actual) is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

*McLarney & Company, PC*

McLarney & Company, PC  
February 5, 2008

**Long Hill Estates Condo Association**  
**Statement of Financial Position**  
**For the Year Ended June 30, 2007 and 2006**

	<i>Operations Fund</i>	<i>Replacement Fund</i>	<i>Working Capital Fund</i>	<i>2006 Total Funds</i>	<i>2005 Total Funds</i>
<b>Assets</b>					
<b>Current Assets:</b>					
Cash	\$ 3,894	\$ 24,039	\$ 14,226	\$ 42,158	\$ 74,854
Prepaid Insurance	5,242	-	-	5,242	2,341
<b>Total Current Assets</b>	<u>9,135</u>	<u>24,039</u>	<u>14,226</u>	<u>47,400</u>	<u>77,195</u>
<b>Total Assets</b>	<u>\$ 9,135</u>	<u>24,039</u>	<u>14,226</u>	<u>\$ 47,400</u>	<u>\$ 77,195</u>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities:</b>					
Current Portion of Long-Term Debt	-	-	-	-	9,224
Income Taxes Payable	109	-	-	109	16
<b>Long-Term Liabilities:</b>					
Long-Term Debt, Net of Current Portion	-	-	-	-	35,898
<b>Total Liabilities</b>	<u>109</u>	<u>-</u>	<u>-</u>	<u>109</u>	<u>45,138</u>
<b>Net Assets</b>	<u>9,026</u>	<u>24,039</u>	<u>14,226</u>	<u>47,291</u>	<u>32,057</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,135</u>	<u>\$ 24,039</u>	<u>\$ 14,226</u>	<u>\$ 47,400</u>	<u>\$ 77,195</u>

**Long Hill Estates Condo Association**  
**Statement of Financial Position**  
**For the Year Ended June 30, 2007 and 2006**

	<u>Operations Fund</u>	<u>Replacement Fund</u>	<u>Working Capital</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>Revenues</b>					
Owner Base Monthly Assessments	\$82,228	\$23,500	\$ -	\$105,728	\$100,910
Interest and Dividends Income	267	135	60	462	152
Late Charges and Other Income	572	-	1,968	2,540	2,248
<b>Total Revenues</b>	<u>\$83,067</u>	<u>\$23,635</u>	<u>\$2,028</u>	<u>\$108,730</u>	<u>\$103,310</u>
<b>Expenses</b>					
<u><b>Administrative</b></u>					
Bank Service Charges	22	-	-	22	-
Accounting Services	2,318	-	-	2,318	2,265
Dues/Subscriptions	-	-	-	-	260
Insurance	9,068	-	-	9,068	10,373
Legal Fees	1,527	-	-	1,527	3,492 ✓
Miscellaneous	2,909	-	-	2,909	277
Office Supplies	81	-	-	81	100
Office Equipment	-	-	1,471	1,471	-
Postage	215	-	-	215	217
Taxes	109	-	-	109	16
	<u>16,249</u>	<u>-</u>	<u>1,471</u>	<u>17,720</u>	<u>17,000</u>
<u><b>Buildings</b></u>					
Painting	0	-	-	-	8,439
Pest Control	1,125	-	-	1,125	-
Repairs/Maint-Adm	840	-	-	840	1,800
Repairs/Maint-Labor	1,934	-	-	1,934	2,884 ✓
Repairs/Maint-Materials	291	-	-	291	337
Loan Interest	-	3,309	-	3,309	3,069
Major Repairs	-	37,785	-	37,785	38,901 ✓
	<u>4,190</u>	<u>41,094</u>	<u>-</u>	<u>45,284</u>	<u>55,429</u>

See Accompanying Notes and Accountant's Report.

**Long Hill Estates Condo Association**  
**Statement of Financial Position**  
**For the Year Ended June 30, 2007 and 2006**

	<u>Operations</u>	<u>Replacement</u>	<u>Working</u>	<u>2006</u>	<u>2005</u>
<b><u>Grounds Maintenance</u></b>					
Fertilization	535	-	-	535	599
Irrigation	384	-	-	384	1,298 ✓
Mowing	7,950	-	-	7,950	7,618
Spring Cleanup	2,620	-	-	2,620	2,632
Bed Maintenance	5,336	-	-	5,336	3,770
Pruning	2,261	-	-	2,261	336
Fall Cleanup	1,540	-	-	1,540	1,646
	<u>20,626</u>	<u>-</u>	<u>-</u>	<u>20,626</u>	<u>17,899</u>
<b><u>Roads &amp; Winter Maint</u></b>					
Plow, Sand and Shovel	4,986	-	-	4,986	5,574 ✓
Other Winter Maint	-	-	-	-	- ✓
	<u>4,986</u>	<u>-</u>	<u>-</u>	<u>4,986</u>	<u>5,574</u>
<b><u>Utilities</u></b>					
Electricity	662	-	-	662	624
Trash Removal	3,156	-	-	3,156	3,378
Water	1,062	-	-	1,062	1,047
Water-Old	-	-	-	-	-
	<u>4,881</u>	<u>-</u>	<u>-</u>	<u>4,881</u>	<u>5,050</u>
 Total Expenses	 <u>50,931</u>	 <u>41,094</u>	 <u>1,471</u>	 <u>93,496</u>	 <u>100,952</u>
 <b>Excess of Revenues Over (Under) Expenses</b>	 32,136	 (17,459)	 557	 15,233	 2,357
 Beginning Fund Balance	 25,321	 (6,933)	 13,669	 32,057	 29,700
 Interfund Transfer	 <u>(48,431)</u>	 <u>48,431</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Ending Fund Balance</b>	 <u>\$9,026</u>	 <u>\$24,039</u>	 <u>\$14,226</u>	 <u>\$47,290</u>	 <u>\$32,057</u>

See Accompanying Notes and Accountant's Report.

**Long Hill Estates Condo Association**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2007 and 2006**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Net income (loss)	\$ 15,233	\$ 2,357
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Increase (Decrease) in income tax payable	93	16
(Increase) Decrease in prepaid insurance	<u>(2,900)</u>	<u>584</u>
Total adjustments	<u>(2,807)</u>	<u>600</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,426</u>	<u>\$ 2,957</u>
 <b><u>Cash Flows From Investing Activities:</u></b>		
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
 <b><u>Cash Flows From Financing Activities:</u></b>		
Proceeds from long-term debt	-	51,539
Repayment of long-term debt	<u>(45,122)</u>	<u>(6,417)</u>
Net Cash Provided (Used) by Financing Activities	<u>(45,122)</u>	<u>45,122</u>
 NET INCREASE (DECREASE) IN CASH	(32,696)	48,079
CASH AT BEGINNING OF YEAR	<u>74,854</u>	<u>26,774</u>
CASH AT END OF YEAR	<u><u>\$ 42,158</u></u>	<u><u>\$ 74,853</u></u>

See Accompanying Notes and Accountant's Report.

**Long Hill Estates Condo Association**  
**Statement of Activities (Budget vs Actual)**  
**For the Year Ended June 30, 2007 and 2006**

	<i><b>2006 Total Funds</b></i>	<i><b>2006 Budget</b></i>	<i><b>Over (Under) Budget</b></i>
<b>Revenues</b>			
Owner Base Monthly Assessments	\$105,728	\$106,272	\$544
Interest and Dividends Income	462		462
Late Charges and Other Income	2,540		2,540
<b>Total Revenues</b>	<u>\$108,730</u>	<u>\$106,272</u>	<u>\$2,458</u>
<b>Expenses</b>			
<i><b><u>Administrative</u></b></i>			
Bank Service Charges	22	-	22
Accounting Services	2,318	1,779	539
Financial Adm	-	-	-
Dues/Subscriptions	-	260	-260
Insurance	9,068	11,515	2,447
Legal Fees	1,527	1,000	527
Legal Fees-Reimbursable	-	-	-
Consultant/Educ Fees	-	500	(500)
Miscellaneous	2,909	200	2,709
Office Supplies	81	200	(119)
Office Equipment	1,471	-	1,471
Postage	215	250	(35)
Taxes	109	100	9
	<u>17,720</u>	<u>15,804</u>	<u>1,916</u>
<i><b><u>Buildings</u></b></i>			
Painting	-	7,000	(7,000)
Pest Control	1,125	1,125	-
Repairs/Maint-Adm	840	-	840
Repairs/Maint-Labor	1,934	4,500	(2,566)
Repairs/Maint-Materials	291	2,000	(1,709)
Loan Interest	3,309	-	3,309
Major Repairs	37,785	23,500	14,285
	<u>45,284</u>	<u>38,125</u>	<u>7,159</u>

See Accompanying Notes and Accountant's Report.



**Long Hill Estates Condo Association**  
**Statement of Activities (Budget vs Actual)**  
**For the Year Ended June 30, 2007 and 2006**

	<i><b>2006 Total Funds</b></i>	<i><b>2006 Budget</b></i>	<i><b>Over (Under) Budget</b></i>
<b><u>Grounds Maintenance</u></b>			
Fertilization	535	1,400	(865)
Irrigation	384	650	266
Mowing	7,950	9,200	(1,250)
Spring Cleanup	2,620	2,620	-
Bed Maintenance	5,336	3,590	1,746
Pruning	2,261	1,150	1,111
Fall Cleanup	1,540	1,540	-
	<u>20,626</u>	<u>20,150</u>	<u>476</u>
<b><u>Roads &amp; Winter Maint</u></b>			
Plow, Sand and Shovel	4,986	10,400	(5,414)
Other Winter Maint	-	1,700	(1,700)
	<u>4,986</u>	<u>12,100</u>	<u>(7,114)</u>
<b><u>Utilities</u></b>			
Electricity	662	845	(183)
Trash Removal	3,156	4,100	(944)
Water	1,062	2,500	(1,438)
Water-Old	-	-	-
	<u>4,881</u>	<u>7,445</u>	<u>(2,564)</u>
 Total Expenses	 <u>93,496</u>	 <u>93,624</u>	 <u>128</u>
 <b>Excess of Revenues Over (Under) Expenses</b>	  15,233	  12,648	  2,585

See Accompanying Notes and Accountant's Report.

**LONG HILL ESTATES CONDO ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2007 and 2006**

**NOTE 1-NATURE OF ORGANIZATION**

Long Hill Estates Condominium Association was formed in the State of New Hampshire on June 10, 1999. The purpose of the Association is to maintain and preserve its common property. Long Hill Estates Condo Association consists of ninety-three residential units on approximately 65 acres located in Peterborough, New Hampshire.

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

**General Accounting**

The Association prepares its financial statements using the accrual basis and presents them as separate funds based on its different funding policies for operations and capital expenditures.

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. Fund accounting requires that operating funds and funds restricted for special use be classified separately for accounting and reporting purposes. Financial resources are classified 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 reflects funds received by the Association which are to be used for specific purposes. Disbursements from this fund may be used only for these purposes.

**Working Capital Fund** - This fund reflects assessments on new owners and is used for board approved purposes.

**Income Taxes**

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the year ended June 30, 2007 and 2006, the Association was taxed as a Homeowners association. As a Homeowners association, membership income is exempt from taxation, and the Association is taxed only on its nonmembership income, such as interest earnings at regular federal and state corporate rates. Federal income tax expense for the fiscal year ended June 30, 2007 and 2006 was \$109 and \$16, respectively.

**LONG HILL ESTATES CONDO ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2007 and 2006**

**(Note 2-Continued)**

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Commonly Owned Assets

Ownership of commonly owned real estate is vested directly in the unit owners and these assets are not deemed to be severable. As a result, commonly owned real estate is not capitalized in the Association's financial statements. Replacements, major repairs, and purchases of additional commonly owned real estate are accounted for as expenses in the year of expenditure. The Association capitalizes personal property assets at cost.

Interest Income

Interest income from the year ended June 30, 2007 and 2006 has been allocated between reserve and operating funds as earned.

Prepaid Expenses

Prepaid expenses are advance payments for products or services that will be used in operations in subsequent periods or years. Prepaid insurance at June 30, 2007 and 2006 was \$4,470 and \$2,341, respectively.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Association considers all liquid debt instruments with original maturities of three months or less to be cash equivalents. Funds are kept in area banks in regular checking accounts or savings accounts. Accounts are secured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007 and 2006, \$0 and \$0, respectively was not insured.

**LONG HILL ESTATES CONDO ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2007 and 2006**

**NOTE 4 - MEMBER ASSESSMENTS**

**Maintenance Assessments**

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments are recognized as revenue in the period in which they are earned. Assessments received before the date due are reflected as prepayments. Assessments are determined by the Board of Directors as part of the annual budget. Any excess assessments at year end are retained by the Association for use in the succeeding year. Any common surplus is owned by unit owners in the same shares as their ownership interest in the common elements.

**Special Assessment**

The Association collected a special assessment in 2007 and 2006 of \$1,968 and \$2,188, respectively. Dues in the amount of \$492 are collected from each new owner and are used to fund the working capital fund.

**NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting funding plan is a function of the completeness of the major component list, and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of New Hampshire law and the Association's governing documents, increase regular assessments. Levy special assessments and/or delay repair and replacement until funds are available.

Fiscal years ended June 30, 2007 and 2006 budgeted funding for reserves was \$23,500 and \$22,289, respectively.

**LONG HILL ESTATES CONDO ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2007 and 2006**

**NOTE 6 - LONG-TERM DEBT**

Long-Term debt consists of the following:

	<u>2007</u>	<u>2006</u>
Note payable to bank at an annual interest rate of 8.25%. Repayment is made in monthly installments of \$1,054 per month. Secured by property.	\$ 0	\$ 45,122
Less: Current portion	<u>0</u>	<u>9,224</u>
Long-Term Debt	<u>\$ 0</u>	<u>\$ 35,898</u>

Maturities of long-term debt are as follows:

	<u>2007</u>	<u>2006</u>
2006	\$ 0	\$ 9,224
2007	0	10,025
2008	0	10,897
2009	0	11,844
2010	<u>0</u>	<u>3,132</u>
Total	<u>\$ 0</u>	<u>\$ 45,122</u>

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

The Association conducts all of its business in Peterborough, New Hampshire.