

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

| | <i>Operations Fund</i> | <i>Replacement Fund</i> | <i>Working Capital</i> | <i>2007 Total</i> | <i>2006 Total</i> |
|--------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------|-----------------------|
| Revenues | | | | | |
| 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 |
| Total Revenues | \$83,067 | \$23,635 | \$2,028 | \$108,730 | \$103,310 |

Expenses

Administrative

| | | | | | |
|----------------------|---------------|----------|--------------|---------------|---------------|
| 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 |
| | 16,249 | - | 1,471 | 17,720 | 17,000 |

Buildings

| | | | | | |
|-------------------------|--------------|---------------|----------|---------------|---------------|
| 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 ✓ |
| | 4,190 | 41,094 | - | 45,284 | 55,429 |

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

| | <i>Operations</i> | <i>Replacement</i> | <i>Working</i> | <i>2006</i> | <i>2005</i> |
|--|--------------------------|---------------------------|-----------------------|--------------------|--------------------|
|--|--------------------------|---------------------------|-----------------------|--------------------|--------------------|

Grounds Maintenance

| | | | | | |
|-----------------|---------------|----------|----------|---------------|---------------|
| 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> |

Roads & Winter Maint

| | | | | | |
|-----------------------|--------------|----------|----------|--------------|--------------|
| 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> |

Utilities

| | | | | | |
|----------------|---------------|---------------|--------------|---------------|----------------|
| 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> |

**Excess of Revenues Over
(Under) Expenses**

| | | | | | |
|----------------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|
| | 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> |
| Ending Fund Balance | <u>\$9,026</u> | <u>\$24,039</u> | <u>\$14,226</u> | <u>\$47,290</u> | <u>\$32,057</u> |

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> |
|---|----------------------|----------------------|
| <u>Cash Flows From Operating Activities:</u> | | |
| 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 |
| (Acrease) 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> |
| <u>Cash Flows From Investing Activities:</u> | | |
| Net Cash Provided (Used) by Investing Activities | - | - |
| <u>Cash Flows From Financing Activities:</u> | | |
| 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>\$ 42,158</u> | <u>\$ 74,853</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

| | 2006 | | Over |
|--|--------------|---------------|----------------|
| | Total | 2006 | (Under) |
| | Funds | Budget | Budget |

Revenues

| | | | |
|--------------------------------|------------------|------------------|----------------|
| Owner Base Monthly Assessments | \$105,728 | \$106,272 | \$544 |
| Interest and Dividends Income | 462 | | 462 |
| Late Charges and Other Income | 2,540 | | 2,540 |
| Total Revenues | \$108,730 | \$106,272 | \$2,458 |

Expenses

Administrative

| | | | |
|-------------------------|---------------|---------------|--------------|
| 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 |
| | 17,720 | 15,804 | 1,916 |

Buildings

| | | | |
|-------------------------|---------------|---------------|---------------|
| 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 |
| | 45,284 | 38,125 | 7,159 |

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**

| | 2006 | | Over |
|--|--------------|---------------|----------------|
| | Total | 2006 | (Under) |
| | Funds | Budget | Budget |

Grounds Maintenance

| | | | |
|-----------------|--------|--------|---------|
| 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 | - |
| | <hr/> | <hr/> | <hr/> |
| | 20,626 | 20,150 | 476 |

Roads & Winter Maint

| | | | |
|-----------------------|-------|--------|---------|
| Plow, Sand and Shovel | 4,986 | 10,400 | (5,414) |
| Other Winter Maint | - | 1,700 | (1,700) |
| | <hr/> | <hr/> | <hr/> |
| | 4,986 | 12,100 | (7,114) |

Utilities

| | | | |
|---------------|-------|-------|---------|
| Electricity | 662 | 845 | (183) |
| Trash Removal | 3,156 | 4,100 | (944) |
| Water | 1,062 | 2,500 | (1,438) |
| Water-Old | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| | 4,881 | 7,445 | (2,564) |

| | | | |
|----------------|--------|--------|-------|
| Total Expenses | <hr/> | <hr/> | <hr/> |
| | 93,496 | 93,624 | 128 |

| | | | |
|---|---------------|---------------|--------------|
| Excess of Revenues Over (Under) Expenses | 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.