

AUGUST 2009 FINANCIAL RESULTS COMMENTS (10 MONTHS)

Owners, please find attached the financial results as of August 31, 2009. After 10 months we are in very strong positive territory as was planned and are doing even better than expected. This was projected on a conservative basis and with strict control over cash management, we can easily see that we will achieve the forecast for the year and even exceed those forecasts. With this performance we can now proceed with the seal coating of our asphalt, so our site will be in great shape. The seal coating work will start around September 29, depending on weather conditions. This work should be completed for approximately \$35,000.00. Again, this was not projected to be done in 2009 and we do not need to use the reserve to do so.

Please note that with the great help of our volunteers, with the positive impact of the owners that pay in advance and with the substantial reduction in our insurance premium; we did manage to accelerate the program of investment for the year. A series of projects have now been completed; like the post office, flag post, tennis courts, shuffle board canopies, tree trimming, fire extinguishers, entrance sign and fences, audit, website, asphalt repair and many others where all cost are already fully incurred. We will do the same cash flow exercise when the budget for the year 2009/2010 is formally approved, this exercise is necessary to determine the sequence of execution of the different projects.

We are seeing some movement on some units under the foreclosure process. It's by way of short sale and the buyer needs to be patient in the whole process; a third sale this way is currently under way. A potential buyer does first need to agree with a seller on a price, it is then submitted to the mortgage company for final dealing with the seller; and also the parties involved have to agree on the payment of the dues to Waterside.

This statement indicates significant improvements in our forecast since the July forecast. In total we are now forecasting a surplus \$25,859.00, and this is after the seal coating commitment of \$35,000.00. Without this investment, the surplus would have stood at over \$60,000.00.

Our various reserves are fully funded and in accordance with current trend we do expect that, besides day to day operation we will be left with no debt on the books by the end of the current fiscal year and will have created some working capital funds.

HIGHLIGHTS

REVENUE

We now have seventeen units sold this year so far. Two more are at the closing stage, and one offer is ongoing. We are now forecasting 20 units that will be sold this year. This exceeds our budget estimate. If only the mortgage companies would cooperate we could reach 24 units sold, compared to 39 last year and 22 the year before.

EXPENSES

The objective remains the same; if we have an overrun in one type of expense, we try to find a way to save on something else. It is more and more difficult to achieve this when we are left with less than two months in a fiscal year. We always keep in mind the long term impact that this may have. Your Board will continue to invest and maintain the site in excellent condition and the seal coating is one of those investments.

On the utilities type of expenses, we have no change in this total category. We remain very concerned about the water and sewer costs. Daniel has followed up with some specific owners and we did see some improvement in the water consumption.

On the administrative group of expenses, there has been very little change from the previous month's forecast.

We lowered our insurance cost projection for the year following a review of our prepaid premium. Our owners need to remember that the last Florida legislature did not modify the required minimum loss assessment coverage of \$2,000.00 and the obligation to provide a copy to Waterside of such policy, and to have Waterside Village named as co-insured on the insurance policy.

The legal costs are going back up, and this is mainly due to our receivables situation. In addition to not collecting our dues, we also have to spend money to protect our interests. We did have to increase our pest control forecast, due to whiteflies in our Ficus hedges.

We have lowered our contingency account by \$5,500.00 as we are coming close to year end do not feel that it is appropriate to maintain full forecast for the year.

We also have increased our reserve for bad debts.

GENERAL COMMENTS

We have made substantial progress on the land purchase on Miner Road; we should have a final text ready for signature by Waterside and the Town of Hypoluxo in time for the Town Council meeting in October. This process will include a foreclosure process, a potential auction, as we are experiencing delay with our own foreclosure the Town will also be faced with delays. We do not expect Waterside to make a payment before mid 2010, and we have no access right to the land before the closing of the transaction.

We have also initiated negotiation with our landscape contractor for the contract renewal; we are trying to find way to maintain costs at the same level.

ACCOUNTS RECEIVABLE

The accounts receivables now stand at \$94,375.00 --- a record --- and if no solution for the foreclosure process is found, this will simply grow by \$3,000.00 a month. We have created a reserve and there will be no need to have a special assessment to cover this expense. The impact is equivalent to \$6.00 a month for each of the good-paying owners. This permits Waterside to continue to invest in its infrastructure. With the completion of the ongoing short sale, this balance will come down by more than \$10,000.00.

If we can simply resolve those foreclosures, which now have an impact on the value of each of our units, we will be in excellent position for the future.

CONCLUSION

We are maintaining our budget objective for the year even with the negative impact of the water and sewer and the foreclosure that impacts the quality of our receivables. A lot of investment has been made during the year and will continue in the future. Thanks to all for reading these notes. We now have over 320 owners with an email address.

For the Board of Directors

By Andre Mongrain President

September 21, 2009

TEN MONTHS FINANCIAL RESULTS AS OF AUGUST 31, 2009

<u>DESCRIPTION</u>	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>TOTAL YEAR FORECAST</u>	<u>08/09 FINAL BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY COST</u>
<u>REVENUE</u>				290		
NSF FEE	150	0	150	0	150	
100 ASSESSMENTS **	1,085,413	1,087,733	1,302,000	1,305,280	-3,280	290.00
102 LATE FEE INCOME	8,585	833	10,500	1,000	9,500	
103 INTEREST INCOME	1,350	5,833	5,000	7,000	-2,000	
104 ESTOPPEL FEE	2,550	2,250	3,000	2,700	300	
106 ACCESS/GATE CARDS	15	417	100	500	-400	
107 TRANSFER/SCREENING FEE	24,800	18,333	26,800	22,000	4,800	
108 MISCELLANEOUS INCOME	3,703	1,084	4,000	1,300	2,700	
TOTAL REVENUE	1,126,566	1,116,483	1,351,550	1,339,780	11,770	
<u>EXPENSES</u>						
<u>UTILITIES</u>						
200 ELECTRIC	38,441	44,167	48,000	53,000	-5,000	10.75
201 WATER & SEWER	151,597	135,833	193,000	163,000	30,000	33.05
202 GARBAGE & RECYCLING	25,704	25,833	31,000	31,000	0	6.29
203 PROPANE GAS	652	5,833	700	7,000	-6,300	1.42
204 CABLE T.V.	56,087	51,667	65,300	62,000	3,300	12.57
205 TELEPHONE	6,984	6,000	8,300	7,200	1,100	1.46
205.1 WIFI	1,392	20,834	2,000	25,000	-23,000	5.06
	280,857	290,167	348,300	348,200	100	70.60

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
ADMINISTRATIVE						
300 PAYROLL-ADMINISTRATIVE	90,494	90,833	109,450	109,000	450	22.10
301 PAYROLL-MAINTENANCE	50,785	49,417	61,000	59,300	1,700	12.02
302 PAYROLL TAXES	12,425	11,083	14,700	13,300	1,400	2.70
302.1 EMPLOYEE BENEFITS	8,284	9,333	10,200	11,200	-1,000	2.27
303 PAYROLL SERVICE FEES	2,989	3,000	3,600	3,600	0	0.73
304 SECURITY GUARDS	40,057	43,750	49,000	52,500	-3,500	10.64
305 ACCOUNTING	20,640	21,250	25,000	25,500	-500	5.17
305.1 BANK FEES	1,370	500	1,600	600	1,000	0.12
305.2 BAD DEBT	-1,506	22,917	29,000	27,500	1,500	5.58
306 AUDITING	4,200	3,750	4,500	4,500	0	0.91
307 LEGAL	8,744	7,500	13,000	9,000	4,000	1.82
308 PROPERTY TAX	1,941	1,750	1,941	2,100	-159	0.43
309 INCOME TAX	-61	583	0	700	-700	0.13
310 INSURANCE	200,714	235,833	225,350	283,000	-57,650	57.38
311 OFFICE SUPPLIES	2,807	4,583	4,200	5,500	-1,300	1.12
312 POSTAGE & SHIPPING	2,162	3,125	3,050	3,750	-700	0.76
313 LICENSES	2,334	2,083	2,334	2,500	-166	0.51
314 TRAVEL & MILEAGE	437	292	550	350	200	0.07
315 MEETINGS & EDUCATION	0	417	250	500	-250	0.10
316 SCREENING	6,613	4,583	8,000	5,500	2,500	1.12
317 ALARM SYSTEM	319	417	400	500	-100	0.10
318 COMPUTER REPAIR/SERVICE	0	1,667	500	2,000	-1,500	0.42
319 COPIER	2,758	3,167	3,600	3,800	-200	0.76
320 MISCELLANEOUS ADMIN.EXP.	6,326	2,083	6,500	2,500	4,000	0.51
320.1 WEBSITE IMPROVEMENT	5,944	6,250	6,000	7,500	-1,500	1.52
	470,776	530,166	583,725	636,200	-52,475	128.99

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
<u>MAINTENANCE</u>						
400 GASOLINE	383	625	400	750	-350	0.15
401 SPRINKLERS	14,471	7,500	16,000	9,000	7,000	1.82
402 PEST CONTROL	18,788	20,000	24,000	24,000	0	4.87
402.6 MISC. MAINT.EXP.	350	417	350	500	-150	0.10
403 LANDSCAPING	97,811	110,000	111,600	132,000	-20,400	26.76
FERTILIZATION & WEED CON.	9,940	0	14,500	0	14,500	
404 TREE TRIMMING	8,725	5,833	8,725	7,000	1,725	1.42
404.1 NEW TREES & BUSHES	13,461	20,833	14,000	25,000	-11,000	5.07
405 BUILDING MAINTENANCE	20,188	16,667	21,000	20,000	1,000	4.05
406 GROUNDS MAINTENANCE	10,048	5,833	10,500	7,000	3,500	1.42
407 SECURITY GATE EXPENSE	2,833	5,000	3,500	6,000	-2,500	1.22
408 CAMERA & VIDEO EXP.	0	10,000	250	12,000	-11,750	2.43
409 PLUMBING EXP.	1,399	833	1,600	1,000	600	0.20
410 ELECTRICAL EXP.	5,874	5,000	6,500	6,000	500	1.22
411 POOL SUPPLIES & REPAIR	12,179	8,333	12,500	10,000	2,500	2.03
412 STREET MAINTENANCE	26,864	8,333	61,364	10,000	51,364	2.03
413 UNIFORMS	0	217	0	260	-260	0.05
414 GOLF CARTS	31	1,667	100	2,000	-1,900	0.41
415 LOCKSMITH	511	333	600	400	200	0.08
416 FIRE SAFETY	5,755	4,583	5,755	5,500	255	1.12
417 JANITORIAL SUPPLIES	1,904	2,000	2,500	2,400	100	0.49
419 POSTAL STATION	524	2,500	2,000	3,000	-1,000	0.61
420 PAINTING PROGRAM	15,000	10,833	15,000	13,000	2,000	2.63
421 STREET LIGHT	0	4,167	2,000	5,000	-3,000	1.01
422 SHUFFLE BOARD CANOPY	10,130	4,167	10,130	5,000	5,130	1.01
423 FLAG POST	3,663	0	3,663	0	3,663	
424 TENNIS COURT	16,070	12,500	16,070	15,000	1,070	3.06
425 POOL CHAIRS/TABLES	5,787	5,417	5,787	6,500	-713	1.31
426 ENTRANCE SIGNS/FOUNTAIN	11,902	4,167	11,902	5,000	6,902	1.01
	314,591	277,758	382,296	333,310	48,986	67.58

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
450 CONTINGENCY	0	10,058	6,570	12,070	-5,500	2.45
476 INTEREST EXPENSE	4,470	8,333	4,800	10,000	-5,200	2.03
	4,470	18,391	11,370	22,070	-10,700	4.48
GRAND TOTAL EXPENSES	1,070,694	1,116,483	1,326,191	1,339,780	-13,589	271.65
REVENUE OVER EXPENSES	55,872	0	25,859	0	25,859	0

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RESERVES						
ROOFS	20,833	20,833	25,000	25,000	0	5.07
PAINTING	2,000	2,000	2,400	2,400	0	0.49
ASPHALT	20,833	20,833	25,000	25,000	0	5.07
POOLS	10,500	10,500	12,600	12,600	0	2.55
AWNINGS	16,667	16,667	20,000	20,000	0	4.06
SPRINKLERS	8,333	8,333	10,000	10,000	0	2.02
WORKING CAPITAL	25,000	25,000	30,000	30,000	0	6.08
	104,166	104,166	125,000	125,000	0	25.34