

**Anneke McCulloch**

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Celebration, FL 34747  
USA



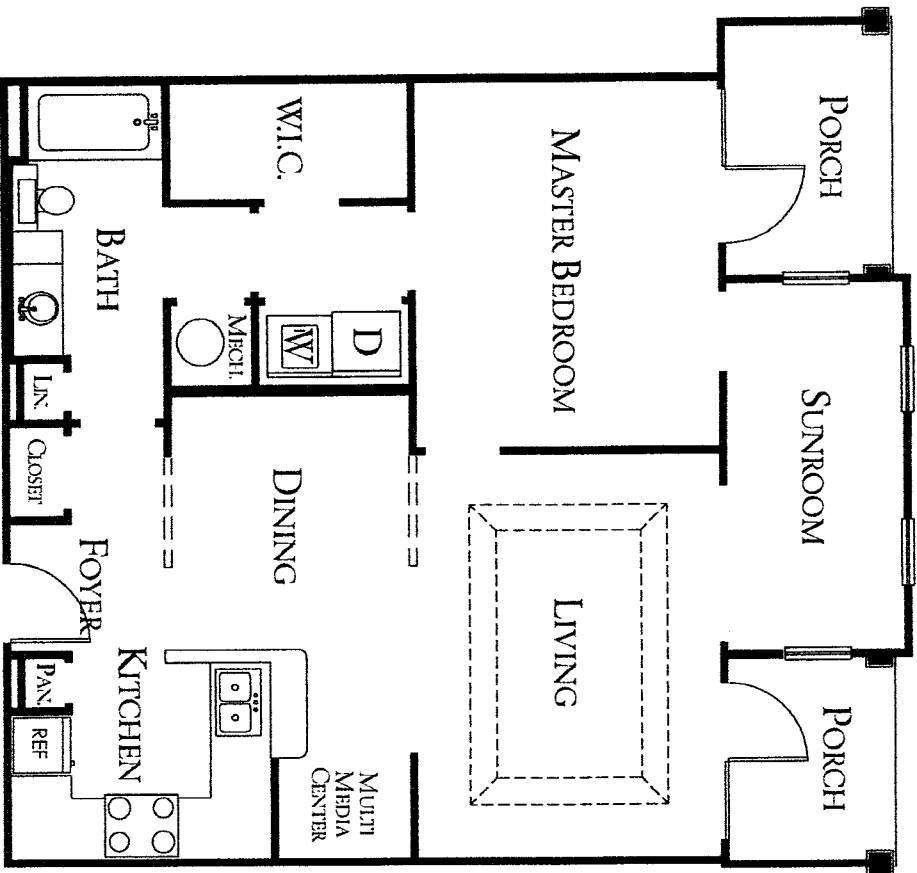
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The McKinley 1 bedroom, 1 bath Living Area: 900 sq. ft. • Total: 1050 sq. ft.



3000 Grand Magnolia Avenue • Celebration, Florida 34747 • Ph: 407-566-2501 • Fax: 407-566-2502 • [www.gcoincetowncelebration.com](http://www.gcoincetowncelebration.com)  
 ORAL REPRESENTATIONS CANNOT BE RELIED UPON AS CORRECTLY STATING THE REPRESENTATIONS OF THE DEVELOPER FOR CORRECT REPRESENTATIONS. MAKE REFERENCE TO THIS BROCHURE AND TO THE DOCUMENTS REQUIRED BY SECTION 718.503 FLORIDA STATUTES, TO BE REVIEWED BY DEVELOPER TO A BUYER OR LESSEE. NOT AN OFFER WHERE PROHIBITED, INCLUDING ANY AND IN PRICES, FEATURES, AMENITIES AND SQUARE FOOTAGE ARE APPROXIMATE AND SUBJECT TO CHANGE WITHOUT NOTICE.



**GEORGETOWN AT CELEBRATION CONDOMINIUM ASSOCIATION, INC.**  
**300 GRAND MAGNOLIA AVENUE**  
**CELEBRATION, FL 34747**  
**(321) 939-0719**

**FREQUENTLY ASKED QUESTIONS AND ANSWERS**

As of January 1, 2014

Q: What are my voting rights in the association?

A: Each member of Celebration Condominium Association, Inc. ("Association") is Entitled to cast votes for each Unit owned by him in accordance with the Provisions of Paragraph E1 of Article IV of the Articles of Incorporation and Paragraph 7.1 and 7.2 of the Declaration of Condominium for Georgetown at Celebration ("Declaration") Exhibit 1 to the Offering Circular.

Q: What restrictions exist on my right to use my unit?

A: There are various restrictions set forth in the condominium documents, such as Restrictions on pets, signs, clotheslines and window décor, to name a few. Please Refer to Paragraph 15 of the Declaration and the Rules and Regulations of the Condominium. There are also various similar restrictions in documents relative To the entire Celebration community in which the Condominium is situated.

Q: How much are my assessments to the association for my unit type and when are they due?

A: Until the first (1) day of the first (1) calendar month following the month in which the closing of the first purchase and sale of a unit to a non-declarant purchaser occurs, your assessments to the association are guaranteed, pursuant to the Declarant's Guarantee for Common Expenses.

<b>Type</b>	<b>Name</b>	<b>Annually</b>	<b>per month</b>
D1	Jefferson	\$5403.48	\$450.29
C1	Kennedy	\$4239.96	\$353.33
C2	Roosevelt	\$5392.32	\$449.36
C3	Washington	\$4491.72	\$374.31
B1	Jackson	\$3163.20	\$263.60
B2	Monroe	\$2479.60	\$298.33
B3	Eisenhower	\$5434.20	\$453.00
B4	Madison	\$3669.43	\$305.79
A1	Mc Kinley	\$2517.12	\$209.76
A2	Lincoln	\$3179.16	\$234.93
A3	Truman	\$2234.64	\$236.22

Q: Do I have to be a member in any other association? If so, what is the name of the Association and what are my voting rights in this association? Also, how much are my assessments?

A: Yes. You will be a member of the Celebration Residential Owners Association, Inc ("Residential Association"). Your voting rights are set forth in Section 4 f the Amended and Restated Declaration Covenants, Conditions and Restrictions for Celebration Residential Properties ("Community Charter"). The assessments for all owners of residential units within Celebration are currently \$911.40 annually for the year 2014, due in advance on the first day of January. Please see the

relevant Celebration Documents. Exhibits 15 through 24A, inclusive, to the Offering Circular. Please note, also, that the Condominium is a part of and subject to assessment by the Celebration Community Development District ("CDD"). Please see Exhibit 22, the 2014 CDD Schedule of Fees and Budget.

Q: Am I required to pay rent or land use fees for recreational or other commonly used facilities? If so, how much am I obligated to pay annually?

A: There is no rent or land use fees due for recreational or other commonly used facilities.

Q: Is the Association or other mandatory membership association involved in any court cases in which it may face liability in excess of \$1,000,000? If so, identify each such case.

A: No.

**NOTE: THE STATEMENTS CONTAINED HEREIN ARE ONLY SUMMARY IN NATURE. A PROSPECTIVE PURCHASER SHOULD REFER TO ALL REFERENCES, EXHIBITS HERETO, THE SALES CONTRACT, AND THE8 CONDOMINIUM DOCUMENTS.**

**Georgetown COA  
2014 Budget Analysis**

	<b>2013 Budget</b>	<b>YTD Actual</b>	<b>Projected 2013</b>	<b>Approved 2014 Budget</b>
	<b>Jan 13 - Dec 13</b>	<b>Jan 13 - Sep 13</b>	<b>Jan 13 - Dec 13</b>	<b>Jan 14 - Dec 14</b>
	12 mo.	9 mo.	12 mo	12 mo
<b>Income</b>				
Association Fee Income	\$ 1,171,882	\$ 890,080	1,186,774	\$ 1,171,882
HO Legal Fees for Collection	-	405	540	-
Late Fee Income	-	8,791	11,722	-
NSF Fee Income	-	-	-	-
Other Income	-	29,411	39,215	-
Water Bill Collections	175,000	124,035	165,379	175,000
<b>Total Income</b>	<b>\$ 1,346,882</b>	<b>\$ 1,052,722</b>	<b>\$ 1,403,630</b>	<b>\$ 1,346,882</b>
<b>Expense</b>				
Bank Fees	\$ 780	586	\$ 781	\$ 780
<b>Building Maintenance</b>				
AC Maintenance	\$ -	\$ 2,506	\$ 3,341	\$ -
Building Maintenance - Assoc Employees - salary	45,785	37,195	49,593	101,862
Building Maintenance - Assoc Employees - on call	1,040	780	-	1,040
Building Materials & Supplies - Misc.	6,000	6,483	8,644	8,000
Building Maintenance - Other	-	1,252	1,669	-
Electrical Repairs	1,000	2,025	2,700	1,000
Elevator Contract	5,100	2,613	3,484	5,100
Elevator Inspection Expense	800	850	1,133	800
Elevator Maintenance & Repair Expense	3,000	1,249	1,665	2,500
Elevator Permit	400	300	400	400
Elevator Telephone	700	-	-	-
Equipment Rental - Building	16,320	13,562	18,083	16,230
Fire Alarm Monitoring	6,200	5,688	7,585	7,588
Fire Equipment Inspection	8,100	5,600	7,467	8,100
Fire Equipment Repair & Maintenance	5,000	4,273	5,697	5,000
Golf Cart Expense - Building	800	883	1,177	800
Interior/Exterior Pest Control	7,272	5,454	7,272	7,272
Janatorial Supplies	3,500	1,646	2,194	3,500
Painting/Paint and Supplies Expense	1,500	3,065	4,086	1,500
Plumbing Repairs	2,500	170	227	750
Repairs	91,414	11,905	15,874	70,000
Roof Repairs	91,416	5,680	7,573	75,000
Termite Bond	8,400	6,300	8,400	8,400
Wireless Services	600	362	483	500
<b>Total for Building Maintenance</b>	<b>\$ 306,847</b>	<b>\$ 119,841</b>	<b>\$ 158,747</b>	<b>\$ 325,342</b>
<b>Grounds Maintenance</b>				
Contracted Lawn Service	\$ 72,100	\$ 60,036	\$ 80,048	\$ 72,100
Electrical Repairs - Grounds	-	285	380	-
Equipment Expense - Grounds	500	8,704	11,605	500
Fountains	250	-	-	500
Gasoline	1,000	751	1,001	1,250
Gate and Fence	500	-	-	500
Golf Carts Expense	1,000	-	-	800
Grounds Labor - Association Employees	26,782	20,607	27,476	27,318
Grounds Materials and Supplies - Misc.	1,000	2,995	3,994	2,000
Irrigation Repair	3,500	6,278	8,371	3,500
Landscaping	8,000	15,531	20,708	18,000
Pet Bags and Supplies Expense	1,800	1,260	1,680	1,800
Signs	500	67	90	500
<b>Total for Grounds Maintenance</b>	<b>\$ 116,932</b>	<b>\$ 116,514</b>	<b>\$ 155,352</b>	<b>\$ 128,768</b>
<b>Onsite Management &amp; Administration</b>				
Accounting Support Expense	\$ 23,198	\$ 16,229	\$ 21,638	\$ 20,200
Annual Corporate Report	62	61	62	62
Answering Services	600	441	587	600
Audit Fees	7,000	5,500	5,500	5,500

**Georgetown COA  
2014 Budget Analysis**

	<b>2013 Budget</b>	<b>YTD Actual</b>	<b>Projected 2013</b>	<b>Approved 2014 Budget</b>
	<b>Jan 13 - Dec 13</b>	<b>Jan 13 - Sep 13</b>	<b>Jan 13 - Dec 13</b>	<b>Jan 14 - Dec 14</b>
Automobile Reimbursement	800	450	600	800
Bad Debt Expense	99,000	61,524	82,032	82,000
Condominium Fees & Taxes	1,260	-	-	1,260
Copies / Printing / Supplies	500	230	306	450
Health Insurance Expense	5,616	2,496	3,328	5,616
Insurance2	164,160	120,435	160,580	180,986
Internet Expense	991	759	1,012	1,012
Legal and Professional Fees	40,000	7,256	9,675	40,000
Management LCAM - Assoc Employee - salary	50,206	36,778	49,038	51,712
Management LCAM - Assoc Employee - on call	4,160	3,120	4,160	4,160
Miscellaneous Admin	200	210	279	200
Miscellaneous Operating - Reserves	-	2,661	3,548	-
Office Equipment & Accessories Expense	500	591	789	500
Office Labor - Association Employees	9,984	8,946	11,928	10,184
Office Supplies	1,000	1,317	1,756	1,000
Payroll Processing Expense	3,500	2,706	3,608	3,500
Payroll Tax Exp - FICA 941	8,840	6,796	9,061	9,000
Payroll Tax Exp - FUTA 940	400	264	353	400
Payroll Tax Exp - MED 941	2,300	1,570	2,094	3,300
Payroll Tax Exp - SUTA UCT6	1,000	590	787	1,500
Phone & Fax	2,458	1,965	2,619	2,580
Postage	1,500	287	382	500
Taxes	-	2,042	2,723	-
Workers Compensation Insurance	6,096	7,041	9,388	7,200
<b>Total for Onsite Management &amp; Administration</b>	<b>\$ 435,331</b>	<b>\$ 292,264</b>	<b>\$ 387,833</b>	<b>\$ 434,222</b>
<b>Pool/Spa, Tennis Court &amp; Fitness Expense</b>				<b>\$ 2,000</b>
Fitness Equipment Repair & Maintenance	\$ 2,000	\$ -	\$ -	\$ 200
Inspections - Pool/Fitness	250	-	-	500
Lock & Keys - Pool	500	-	-	5,000
Pool Chemicals & Supplies	5,000	3,012	4,016	5,000
Pool Cleaning Expense	-	729	971	-
Pool Permit	400	325	433	400
Pool Spa Repair & Maintenance Exp.	1,000	349	465	1,000
Pool/Spa, Tennis Court & Fitness Expense - Other	-	4,228	5,638	-
Tennis Court - Repair & Maintenance	500	-	-	500
<b>Total for Pool/Spa, Tennis Court &amp; Fitness Expense</b>	<b>\$ 9,650</b>	<b>\$ 8,643</b>	<b>\$ 11,524</b>	<b>\$ 9,600</b>
<b>Receivership Expenses</b>	<b>\$ -</b>	<b>\$ 2,296</b>	<b>\$ 3,061</b>	<b>\$ -</b>
<b>Utilities</b>				<b>\$ 62,000</b>
Electric	\$ 62,000	\$ 32,532	\$ 43,376	\$ 62,000
Trash Removal	51,000	36,495	48,660	52,275
Water / Sewer	150,000	117,010	156,014	175,000
<b>Total for Utilities</b>	<b>\$ 263,000</b>	<b>\$ 186,038</b>	<b>\$ 248,050</b>	<b>\$ 289,275</b>
<b>Total Expenses</b>	<b>\$ 1,132,540</b>	<b>\$ 726,181</b>	<b>\$ 965,349</b>	<b>\$ 1,187,987</b>
<b>Net Operating Income</b>	<b>\$ 214,342</b>	<b>\$ 326,541</b>	<b>\$ 438,281</b>	<b>\$ 158,895</b>
<b>Non-operating Expenses</b>				
<b>Reserves</b>				
Reserve For Replacement - Paint	\$ -	\$ 75,869	\$ 101,159	\$ -
Reserve For Replacement - Paving	-	2,550	3,400	-
Reserve For Replacement - Roofs	-	16,200	21,600	-
Reserve For Replacement - Tennis Courts	-	4,000	-	-
<b>Total for Reserves</b>	<b>\$ 214,040</b>	<b>\$ 98,619</b>	<b>\$ 126,159</b>	<b>\$ 158,878</b>
<b>Total Non-operating Expenses</b>	<b>214,040</b>	<b>98,619</b>	<b>126,159</b>	<b>158,878</b>
<b>Net Non-operating Income</b>	<b>(214,040)</b>	<b>(98,619)</b>	<b>(126,159)</b>	<b>(158,878)</b>
<b>Net Income</b>	<b>\$ 302</b>	<b>\$ 227,922</b>	<b>\$ 312,122</b>	<b>\$ 17</b>

**Georgetown at Celebration  
Condominium Association, Inc.**

**Financial Statements and  
Supplemental Information**

**Year Ended  
December 31, 2012**

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**Partners**

W. Ed Moss Jr., CPA  
Joe M. Krusick, CPA  
James R. Dexter, CPA

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Georgetown at Celebration Condominium Association, Inc.

We have audited the accompanying financial statements of Georgetown at Celebration Condominium Association, Inc. (the "Association"), which comprise the balance sheets as of December 31, 2012, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Association's 2011 financial statements, and, in the audit completed by Fontana CPAs, the previous CPA firm, dated July 12, 2012, they expressed an unqualified opinion on those financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgetown at Celebration Condominium Association, Inc. as of December 31, 2012, 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.

**Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that supplemental information about future major repairs and replacements on page ten be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Moss, Krusick & Associates, LLC*

May 9, 2013  
Winter Park, Florida

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American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

PCAOB Registered

**Georgetown at Celebration Condominium Association, Inc.**

**BALANCE SHEETS**

**December 31, 2012**

**ASSETS**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,842	\$ 720,423	\$ 761,265	\$ 533,666
Assessments receivable, net of allowance of \$266,653 and \$423,000, respectively	136,789	-	136,789	139,098
Certificate of deposit	-	184,033	184,033	174,736
Due from replacement fund	177,227	-	177,227	96,656
Property and equipment, net of accumulated depreciation	1,241,873	-	1,241,873	1,258,427
Prepaid expenses	10,599	-	10,599	11,965
	<u>1,607,330</u>	<u>904,456</u>	<u>2,511,786</u>	<u>2,214,548</u>
<b>Total assets</b>	<b><u>\$ 1,607,330</u></b>	<b><u>\$ 904,456</u></b>	<b><u>\$ 2,511,786</u></b>	<b><u>\$ 2,214,548</u></b>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 40,114	\$ -	\$ 40,114	\$ 36,221
Prepaid assessments	27,016	-	27,016	35,551
Due to operating fund	-	177,227	177,227	96,656
	<u>67,130</u>	<u>177,227</u>	<u>244,357</u>	<u>168,428</u>
<b>Total liabilities</b>	<b><u>67,130</u></b>	<b><u>177,227</u></b>	<b><u>244,357</u></b>	<b><u>168,428</u></b>
<b>FUND BALANCES</b>				
	<u>1,540,200</u>	<u>727,229</u>	<u>2,267,429</u>	<u>2,046,120</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,607,330</u></b>	<b><u>\$ 904,456</u></b>	<b><u>\$ 2,511,786</u></b>	<b><u>\$ 2,214,548</u></b>

The accompanying notes are an integral part of these financial statements.

**Georgetown at Celebration Condominium Association, Inc.**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**

**Year Ended December 31, 2012**

	Operating Fund	Replacement Fund	2012 Total	2011 Total
<b>REVENUES</b>				
Member assessments	\$ 986,608	\$ 214,000	\$ 1,200,608	\$ 1,159,506
Water bill collections	178,181	-	178,181	175,845
Late fee income	18,396	-	18,396	21,448
Interest income	-	10,159	10,159	6,393
Other income	18,164	-	18,164	12,551
	<u>1,201,349</u>	<u>224,159</u>	<u>1,425,508</u>	<u>1,375,743</u>
<b>EXPENSES</b>				
Utilities	257,992	-	257,992	262,456
Insurance	158,104	-	158,104	147,073
Salaries and benefits	156,131	-	156,131	167,994
Building and general maintenance	144,427	-	144,427	167,956
Ground maintenance	75,152	-	75,152	95,945
Bad debt expense	70,443	-	70,443	18,747
Professional fees	61,924	-	61,924	52,338
Depreciation	35,028	-	35,028	32,933
Pool and clubhouse	18,575	-	18,575	7,208
Office, printing, and postage	11,562	-	11,562	1,135
Other	9,530	-	9,530	13,228
Security	1,424	-	1,424	-
Replacement expenditure	-	203,907	203,907	209,390
	<u>1,000,292</u>	<u>203,907</u>	<u>1,204,199</u>	<u>1,176,403</u>
Total expenses				
Revenues over expenses	201,057	20,252	221,309	199,340
Fund balances - beginning of year	<u>1,339,143</u>	<u>706,977</u>	<u>2,046,120</u>	<u>1,846,780</u>
Fund balances - end of year	<u>\$ 1,540,200</u>	<u>\$ 727,229</u>	<u>\$ 2,267,429</u>	<u>\$ 2,046,120</u>

The accompanying notes are an integral part of these financial statements.

**Georgetown at Celebration Condominium Association, Inc.**

**STATEMENTS OF CASH FLOWS**

**Year Ended December 31, 2012**

	Operating Fund	Replacement Fund	2012 Total	2011 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Revenues over expenses	\$ 201,057	\$ 20,252	\$ 221,309	\$ 199,340
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:				
Bad debt expense	70,443	-	70,443	18,747
Depreciation	35,028	-	35,028	32,933
Changes in operating assets and liabilities				
Decrease (increase) in operating assets:				
Assessments receivable, net	(68,134)	-	(68,134)	10,593
Prepaid expenses	1,366	-	1,366	-
Due from operating fund	-	96,656	96,656	-
Due from replacement fund	(177,227)	-	(177,227)	-
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	3,893	-	3,893	(11,605)
Prepaid assessments	(8,535)	-	(8,535)	12,421
Due to replacement fund	(96,656)	-	(96,656)	-
Due to operating fund	-	177,227	177,227	-
	(38,765)	294,135	255,370	262,429
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(18,474)	-	(18,474)	(10,126)
Net change in certificate of deposit	-	(9,297)	(9,297)	(5,528)
	(18,474)	(9,297)	(27,771)	(15,654)
Net cash used by investing activities				
Net increase (decrease) in cash	(57,239)	284,838	227,599	246,775
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	98,081	435,585	533,666	286,891
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	\$ 40,842	\$ 720,423	\$ 761,265	\$ 533,666
<b>SUPPLEMENTAL DISCLOSURE</b>				
Interest paid	\$ 2,706	\$ -	\$ 2,706	\$ -

The accompanying notes are an integral part of these financial statements.

**Georgetown at Celebration Condominium Association, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Organization

Georgetown at Celebration Condominium Association, Inc. (the "Association") is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida. The Association's purpose is to maintain and preserve the common property of the Georgetown at Celebration Condominiums which consists of 315 residential units occupying a site of approximately 21 acres located in Celebration, Florida. The Association began its operations in 2005.

All policy decisions are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

2. 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 made generally at the discretion of the Board of Directors and the site manager. Disbursements from the replacement fund may be made only for their designated purposes.

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all unrestricted, highly liquid investments with an original maturity of three months or less to be cash equivalents.

4. Assessments Receivable, net

Assessments receivable for the Association are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history.

5. Property and Equipment

The Association recognizes property and equipment at cost. The assets are depreciated over their estimated useful lives, generally between five and thirty years, using the straight-line method of depreciation.

6. Use of Estimates

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

Georgetown at Celebration Condominium Association, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

7. Concentration of Credit Risk

The Association maintains its cash and cash equivalents in bank deposits, money market accounts, and certificates of deposit, which, at times, may exceed federally insured limits. The Association's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents placed with federally insured financial institutions. At December 31, 2012, the Association's cash and cash equivalents were fully insured by the FDIC.

8. Fair value of financial instruments

The fair value of financial instruments, which consists of cash and cash equivalents and accounts payable, approximates the carrying value because of the short-term nature of the instruments.

9. Prepaid member assessments

Assessments paid in advance are deferred until the assessment period.

10. Summarized financial information and Reclassification

The financial information for the year ended December 31, 2011, presented for comparative purposes, is not intended to be a complete presentation. Certain 2011 amounts have been reclassified to conform with 2012 presentation.

11. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on May 9, 2013.

**NOTE B – MEMBER ASSESSMENTS**

Members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are sixty days or more delinquent. The annual budget and owner's assessments are determined by the Board of Directors of the Association. The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods. Monthly assessments to the members for the year ended December 31, 2012 ranged from \$186 to \$452 per unit.

**Georgetown at Celebration Condominium Association, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

**NOTE C – INCOME TAXES**

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following years' assessments. The other method enables the Association to elect to exclude from taxation "exempt function income" which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt function income, but at different tax rates.

The Association has analyzed the various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and that no accrual for tax liabilities is necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Association remains subject to examination by the Internal Revenue Service for the years ended December 31, 2009 through December 31, 2012.

**NOTE D – REPLACEMENT FUND**

Per the Association's Declaration of Covenants, Conditions and Restrictions, the Association is required to accumulate funds for future major repairs and replacements. The Association's governing documents also provide for the levying of special assessments or increasing regular assessments when major repairs and replacement are needed. The Board of Directors, however, has elected to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. The Association's Board of Directors conducted a formal replacement fund study in 2011 to determine the estimated replacement/repair cost of the major property components.

**NOTE E – CERTIFICATE OF DEPOSIT**

The Association had a certificate of deposit as of December 31, 2012 in the amount of \$184,033. This note bore interest at 4.16% and matured April 17, 2013. Subsequent to year end the funds from the maturing certificate were reinvested into a new certificate bearing interest at 0.85% and maturing April 17, 2018. The certificate is assigned as collateral for the Association's line of credit.

**Georgetown at Celebration Condominium Association, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2012:

Land	\$	601,500
Buildings and improvements		1,228,500
Equipment		<u>28,600</u>
		1,858,600
Less accumulated depreciation		<u>(616,727)</u>
	\$	<u>1,241,873</u>

**NOTE G – LINE OF CREDIT**

The Association has a line of credit with a financial institution. The line of credit permits borrowings up to \$150,000, bearing interest at 5.0%. All outstanding principal and interest is due upon maturity, April 17, 2013. The line is secured by the Association's certificate of deposit. As of December 31, 2012, there was no outstanding balance on the line of credit.



**SUPPLEMENTAL INFORMATION**

Georgetown at Celebration Condominium Association, Inc.

FUTURE MAJOR REPAIRS AND REPLACEMENTS (COMPILED)

Year Ended December 31, 2012

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate cash equivalent or certificate of deposit accounts and are generally not available for expenditures for normal operations. Additionally, the Board of Directors has designated funds whose use is restricted to certain estimated expenses. The Association's Board of Directors conducted a formal replacement study in 2011 to determine the estimated replacement/repair cost of the major property components. The following is a summary of the significant information for the components of common property and other restricted funds.

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	Replacement Fund Balance December 31, 2012
Roofs	4 - 19	\$ 939,228	\$ 268,297
Tennis courts	3 - 15	23,300	20,263
Painting / waterproofing	4	782,035	291,664
Paving	4 - 12	251,853	18,409
Elevators	19	114,000	19,706
Pumps	-	-	45,396
Drainage	29	40,000	10,557
Pool	9	17,176	9,600
Interest	-	-	43,337
Furniture, fixtures, and equipment	2 - 7	37,539	-
Miscellaneous building components	1 - 29	1,988,052	-
Miscellaneous site improvements	14 - 15	146,779	-
		<u>\$ 4,339,962</u>	<u>\$ 727,229</u>

The following schedule reflects the activity within each of the replacement fund components for the year ended December 31, 2012.

Components	Balance January 1, 2012	Assessments and Interest	Replacements	Balance December 31, 2012
Roofs	\$ 229,306	\$ 73,502	\$ (34,511)	\$ 268,297
Tennis courts	17,308	2,955	-	20,263
Painting / waterproofing	348,065	109,094	(165,495)	291,664
Paving	8,409	10,000	-	18,409
Elevators	16,012	3,694	-	19,706
Pumps	40,177	9,120	(3,901)	45,396
Drainage	9,922	635	-	10,557
Pool	4,600	5,000	-	9,600
Interest	33,178	10,159	-	43,337
Furniture, fixtures, and equipment	-	-	-	-
Miscellaneous building components	-	-	-	-
Miscellaneous site improvements	-	-	-	-
	<u>\$ 706,977</u>	<u>\$ 224,159</u>	<u>\$ (203,907)</u>	<u>\$ 727,229</u>

See independent auditors' report.