

PROMENADES EAST
CONDOMINIUM ASSOCIATION, INC.

PORT CHARLOTTE, FLORIDA

FINANCIAL REPORT

DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Promenades East Condominium Association, Inc.
Port Charlotte, Florida**

We have audited the accompanying balance sheet of **Promenades East Condominium Association, Inc.** (a non-profit organization) as of **December 31, 2011**, and the related statements of revenue and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the **Promenades East Condominium Association, Inc.'s** management. 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 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 **Promenades East Condominium Association, Inc.** as of **December 31, 2011**, and the results of its operations and changes in its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
February 13, 2012

FINANCIAL REPORT

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
BALANCE SHEET
DECEMBER 31, 2011

	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	Total (Memo Only)
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash	\$ 69,298	\$ 636,579	\$ 705,877
Cash - Escrow	19,500	-0-	19,500
Condominium fees receivable	29,796	-0-	29,796
Prepaid insurance	60,176	-0-	60,176
Prepaid taxes	495	-0-	495
Total Current Assets	<u>179,265</u>	<u>636,579</u>	<u>815,844</u>
<u>Common Property and Equipment</u>			
(Note 2)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>\$ 179,265</u>	<u>\$ 636,579</u>	<u>\$ 815,844</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Current Liabilities</u>			
Accounts payable	\$ 206	\$ -0-	\$ 206
Payroll taxes – payable	1,695	-0-	1,695
Prepaid assessment	23,378	-0-	23,378
Security and key deposits	19,792	-0-	19,792
Total Current Liabilities	<u>45,071</u>	<u>-0-</u>	<u>45,071</u>
 <u>Fund Balances</u>			
Owners' capital contributions (Note 3)	44,692	-0-	44,692
Developer capital contribution (Note 4)	3,585	-0-	3,585
Restricted fund balance (Note 5)	-0-	636,579	636,579
Unrestricted fund balance	85,917	-0-	85,917
Total Fund Balances	<u>134,194</u>	<u>636,579</u>	<u>770,773</u>
Total Liabilities and Fund Balances	<u>\$ 179,265</u>	<u>\$ 636,579</u>	<u>\$ 815,844</u>

Read Independent Auditors' Report
The accompanying notes are an integral part of this statement.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
STATEMENT OF REVENUE AND EXPENSES
FOR YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u> <u>(Memo Only)</u>
<u>Revenues:</u>			
Assessments	\$ 378,686	\$ 34,988	\$ 413,674
Interest	-0-	13,300	13,300
Insurance Revenue	9,380	-0-	9,380
Other	<u>18,566</u>	<u>102</u>	<u>18,668</u>
Total Revenues	<u>406,632</u>	<u>48,390</u>	<u>455,022</u>
<u>Expenses:</u>			
Salaries:			
Manager	53,722	-0-	53,722
Maintenance	12,598	-0-	12,598
Janitorial	16,595	-0-	16,595
Clerical	210	-0-	210
Payroll taxes	7,050	-0-	7,050
Accounting	6,142	-0-	6,142
Employee recognition	316	-0-	316
Bank charges	225	-0-	225
Recreation	777	-0-	777
Background checks	1,967	-0-	1,967
Insurance:			
General and flood	67,784	-0-	67,784
Employee health	4,800	-0-	4,800
Workers compensation	604	-0-	604
Postage, stationary and supplies	2,496	-0-	2,496
Gasoline for errands	1,185	-0-	1,185
Miscellaneous	617	-0-	617
Legal	8,850	-0-	8,850
Inspection fees and license	3,200	-0-	3,200
State unit tax	588	-0-	588
Telephone	3,502	-0-	3,502
Water/Sewer	89,083	-0-	89,083
Electric	28,738	-0-	28,738
Lawn contract	12,000	-0-	12,000
Air conditioner repair	4,242	-0-	4,242
Waste management	695	-0-	695
Small tools	210	-0-	210
Move in/out supervision	450	-0-	450
Diesel fuel – fire pump	341	-0-	341

Read Independent Auditors' Report

The accompanying notes are an integral part of this statement.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
STATEMENT OF REVENUE AND EXPENSES (CONT.)
FOR YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u> <u>(Memo Only)</u>
Training and education	161	-0-	161
Exit lighting service	188	-0-	188
Fire alarm service	3,684	-0-	3,684
Outside services	5,783	-0-	5,783
Irrigation repair	1,632	-0-	1,632
Outside pest control	3,000	-0-	3,000
Computer software	472	-0-	472
Work clothes	195	-0-	195
Hardware	1,167	-0-	1,167
Janitorial supplies	431	-0-	431
Paint, lamps and hardware	2,698	-0-	2,698
Fire extinguishers	573	-0-	573
Equipment rental and repair	350	-0-	350
Diesel and fire pump inspection	1,390	-0-	1,390
Building Repairs	7,720	-0-	7,720
Spraying and fertilizing	417	-0-	417
Mulch	4,376	-0-	4,376
Parking lot seal cost	-0-	8,768	8,768
Elevator maintenance	6,255	-0-	6,255
Fire sprinkler repair	345	-0-	345
Pest control – Units	2,756	-0-	2,756
Pool and spa service	6,888	1,500	8,388
Water pump inspection	235	-0-	235
Pool and spa repairs	1,769	-0-	1,769
Taxes	915	-0-	915
Plants	801	-0-	801
Office equipment repairs	10,315	-0-	10,315
Pool furniture	-0-	1,915	1,915
Roof repair	-0-	4,000	4,000
	<u>393,503</u>	<u>16,183</u>	<u>409,686</u>
 Total Expenses	 <u>393,503</u>	 <u>16,183</u>	 <u>409,686</u>
 Net Excess (Deficit)	 <u>\$ 13,129</u>	 <u>\$ 32,207</u>	 <u>\$ 45,336</u>

Read Independent Auditors' Report
The accompanying notes are an integral part of this statement.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
STATEMENT OF CHANGES IN FUND BALANCES
FOR YEAR ENDED DECEMBER 31, 2011

	<u>Owners' Capital Contribution</u>	<u>Developer Capital Contribution</u>	<u>Restricted Fund Balance</u>	<u>Unrestricted Fund Balance</u>	<u>Total (Memo Only)</u>
Balance - January 1, 2011	\$ 44,692	\$ 3,585	\$ 604,372	\$ 72,788	\$ 725,437
Net excess (Deficit)	<u>-0-</u>	<u>-0-</u>	<u>32,207</u>	<u>13,129</u>	<u>45,336</u>
Balance - December 31, 2011	<u>\$ 44,692</u>	<u>\$ 3,585</u>	<u>\$ 636,579</u>	<u>\$ 85,917</u>	<u>\$ 770,773</u>

Read Independent Auditors' Report
The accompanying notes are an integral part of this statement.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total (Memo Only)</u>
Cash Flows from Operating Activities:			
Cash received from members and other	\$ 411,521	\$ 35,090	\$ 446,611
Cash paid to suppliers and employees	(397,231)	(16,183)	(413,414)
Interest	<u>-0-</u>	<u>13,300</u>	<u>13,300</u>
 Net Cash Provided (Used) By Operating Activities	 <u>14,290</u>	 <u>32,207</u>	 <u>46,497</u>
 Cash Flows from Investing Activities:			
 Net Cash Provided (Used) By Investing Activities	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>
 Cash Flows from Financing Activities:			
 Net Cash Provided (Used) By Financing Activities	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 14,290	 32,207	 46,497
 Cash and cash equivalents - Beginning of year	 <u>55,008</u>	 <u>604,372</u>	 <u>659,380</u>
 Cash and Cash Equivalents - End of Year	 <u><u>\$ 69,298</u></u>	 <u><u>\$ 636,579</u></u>	 <u><u>\$ 705,877</u></u>

Read Independent Auditors' Report
The accompanying notes are an integral part of this statement.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
STATEMENT OF CASH FLOWS (CONT.)
FOR YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u> <u>(Memo Only)</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities:			
Net excess (Deficit)	\$ 13,129	\$ 32,207	\$ 45,336
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease (increase) in escrow	(2,500)	-0-	(2,500)
Decrease (increase) in accounts receivable	(7,493)	-0-	(7,493)
Decrease (increase) in prepaid insurance	(4,170)	-0-	(4,170)
(Decrease) increase in payables	(98)	-0-	(98)
(Decrease) increase in payroll taxes payable	(497)	-0-	(497)
(Decrease) increase in prepaid assessments	12,477	-0-	12,477
(Decrease) increase in security and key deposits	2,405	-0-	2,405
Decrease (increase) in prepaid taxes	<u>1,037</u>	<u>-0-</u>	<u>1,037</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 14,290</u>	<u>\$ 32,207</u>	<u>\$ 46,497</u>

Read Independent Auditors' Report
The accompanying notes are an integral part of this statement.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1 Nature of Business and Significant Accounting Policies

Nature of Business

Promenades East Condominium Association, Inc. is a not-for-profit corporation organized under the laws of the State of Florida. The Association operates Promenades East Condominium, which consists of 147 units located in Port Charlotte, Florida.

Promenades East Condominium was declared such October 12, 1982, pursuant to the filing of its condominium documents. The first unit was closed on October 18, 1982.

Significant Accounting Policies

A summary of the significant accounting policies followed by the Association is set forth below:

General Accounting Policies

The Association uses the fund method of accounting, which requires that funds, such as unrestricted operating funds and restricted funds for future repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the unrestricted fund are generally at the discretion of the Board of Directors. Disbursements from the restricted fund may be made only for their designated purposes.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased to be cash equivalent.

Condominium Fees Receivable

The Association considers any unpaid assessment delinquent ten days after the due date. The Association may record a claim of lien against the condominium owner to obtain the amount due. All receivables are considered collectable.

Properties

The Association recognizes purchased property and equipment to which it has title at cost and at fair market value for those assets contributed to the Association. Depreciation is provided over the assets estimated useful lives (ranging from five to ten years) using the straight line method.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2011

Note 1 Nature of Business and Significant Accounting Policies (Cont.)

Significant Accounting Policies (Cont.)

Assessments

The Board of Directors shall from time to time, and at least annually, prepare a budget for the condominium, determine the amount of assessments payable by the unit owners to meet the common expenses of the condominium and allocate and assess such expenses among the unit owners in accordance with the provisions of the condominium declaration and the bylaws.

Management

The Association's Board of Directors for the period ended December 31, 2011 consisted of homeowners of the Association.

Date of Management Review :

The Association has evaluated subsequent events and transactions after December 31, 2011 through February 13, 2012, the date the financial statements were available to be issued.

Note 2 Property, Plant and Equipment

Property, plant and equipment are comprised of the following at December 31, 2011:

Common property improvements	\$ 2,113
Equipment	<u>1,067</u>
	3,180
Less: Accumulated depreciation	<u>(3,180)</u>
Remaining Basis	<u><u>\$ -0-</u></u>

Note 3 Owners' Capital Contribution

At December 31, 2011 owners' capital contribution consisted of:

Unit owners at closing made a capital contribution to the Association equal to twice their monthly assessment.	\$ 29,706
Owners indirectly paid for all furniture and fixtures in the common areas. These assets were recorded as owners' capital.	<u>14,986</u>
	<u><u>\$ 44,692</u></u>

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2011

Note 4 Developer Capital Contribution

The developer funded the Association \$2,085 in excess of the developer's obligations at June 15, 1982. The developer has contributed these funds as contributed capital to the Association. The developer contributed an additional \$1,500 in contributed capital during 1985.

Note 5 Restricted Fund Balance

Pursuant to the Florida Condominium Act and the Association's governing documents, the Association is required to accumulate funds for future major repairs and replacements. Accumulated funds, which aggregate approximately \$636,579 at December 31, 2011, are held in separate accounts and are not available for expenditures for normal operations. It is the Association's policy that interest earned on such funds is allocated to various reserve fund accounts. The Association's Board of Directors conducts a study in December to estimate the remaining useful lives and the replacement costs of the common property components.

Funds are accumulated in the restricted fund based on current 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 restricted 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, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Detail for these restricted fund balances are as follows:

<u>Reserve</u>	<u>Balance January 1, 2011</u>	<u>Member Assess- ments</u>	<u>Interest and Other</u>	<u>(Expenses)</u>	<u>Balance December 31, 2011</u>
Roof	\$ 221,067	\$ 7,732	\$ 2,962	\$ (4,000)	\$ 227,761
Building painting	96,028	3,723	1,426	-0-	101,177
Parking lot	21,629	2,393	917	(8,768)	16,171
Pool/Spa	15,611	906	347	(1,500)	15,364
Carpet replacement	41,897	5,210	1,996	-0-	49,103
Pool furniture	10,025	-0-	-0-	(1,915)	8,110
Elevator	43,004	1,963	752	-0-	45,719
Air conditioners	47,438	2,908	1,113	-0-	51,459
Generator	29,828	1,854	710	-0-	32,392
Fire pump	34,242	1,903	729	-0-	36,874
Spa/Pool heaters	4,019	2,145	822	-0-	6,986
Fire Panel	39,584	4,251	1,628	-0-	45,463
Total	<u>\$ 604,372</u>	<u>\$ 34,988</u>	<u>\$ 13,402</u>	<u>\$ (16,183)</u>	<u>\$ 636,579</u>

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2011

Note 6 Compensated Absences

The Association provides for all compensated absences as they are incurred. Any liability for uncompensated absences is immaterial.

Note 7 Commonly Owned Assets

Commonly owned assets primarily include the land, buildings and other recreational areas within the development. These assets are not owned by the Association. The ownership of these assets vests with the unit owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements. Replacements, major repairs and the purchase of additional commonly owned assets are not capitalized as assets. These assets are accounted for as expenditures in the Unrestricted and Restricted Funds at the time of the expenditure.

Note 8 Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2011. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

For federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files form 1120, which has graduated tax rates of 15% to 39% that are applied to net taxable income.

For state income tax purposes, the Association also is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 5.5%.

SUPPLEMENTARY INFORMATION

DEES & DEES
CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL ASSOCIATION

Fred B. Dees, C.P.A.
Fred B. Dees, Jr., C.P.A.

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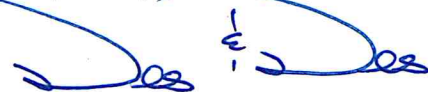
INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

The Board of Directors
Promenades East Condominium Association, Inc.
Port Charlotte, Florida

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Actual Receipts and Disbursement to Budget-Unrestricted Fund Only which is the responsibility of the Association's management, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 15 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 supplementary 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.

Respectfully submitted,



DEES & DEES, C.P.A.'s, P.A.
Port Charlotte, Florida
February 13, 2012

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
STATEMENT OF ACTUAL RECEIPTS AND DISBURSEMENTS TO BUDGET
UNRESTRICTED FUND ONLY
FOR YEAR ENDED DECEMBER 31, 2011

	<u>Actual</u>	<u>Budget</u> (Unaudited)	<u>Variance</u> (Unaudited)
<u>Receipts:</u>			
Assessments	\$ 413,674	\$ 413,674	\$ -0-
Less: Restricted reserves	<u>34,988</u>	<u>23,335</u>	<u>11,653</u>
Net Fees	378,686	390,339	(11,653)
Interest	-0-	4,800	(4,800)
Insurance revenue	9,380	-0-	9,380
Other	<u>18,566</u>	<u>4,425</u>	<u>14,141</u>
Total Receipts	<u>406,632</u>	<u>399,564</u>	<u>7,068</u>
 <u>Disbursements:</u>			
Salaries:			
Manager	53,722	53,760	(38)
Maintenance	12,598	13,525	(927)
Janitorial	16,595	15,895	700
Clerical	210	800	(590)
Payroll taxes	7,050	9,619	(2,569)
Accounting	6,142	6,390	(248)
Employee recognition	316	415	(99)
Bank charges	225	270	(45)
Move in/out supervision	450	600	(150)
Recreation	777	800	(23)
Background checks	1,967	960	1,007
Diesel fuel – fire pump	341	250	91
Insurance:			
General and flood	67,784	70,007	(2,223)
Employee health	4,800	4,800	-0-
Workers compensation	604	2,392	(1,788)
Postage, stationary and supplies	2,496	2,300	196
Gasoline for errands	1,185	960	225
Miscellaneous	617	850	(233)
Legal	8,850	7,837	1,013
Inspection fees and license	3,200	3,200	-0-
Corporate registration	588	649	(61)
Telephone	3,502	3,378	124
Water/Sewer	89,083	90,278	(1,195)
Electric	28,738	26,155	2,583
Lawn contract	12,000	12,000	-0-
Spraying and fertilizing	417	420	(3)
Office equipment	-0-	200	(200)
Tree trimming	-0-	400	(400)
Waste management	695	1,032	(337)

Read Independent Auditors' Report on Supplementary
Information and Accompanying Notes to Financial Statements.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
STATEMENT OF ACTUAL RECEIPTS AND DISBURSEMENTS TO BUDGET
UNRESTRICTED FUND ONLY (CONT.)
FOR YEAR ENDED DECEMBER 31, 2011

Outside pest control	3,000	3,000	-0-
Fire alarm service	3,684	2,130	1,554
Exit lighting service	188	200	(12)
Small tools	210	450	(240)
Janitorial services	-0-	300	(300)
Air conditioner repair	4,242	1,200	3,042
Outside services	5,783	5,900	(117)
Irrigation repair	1,632	1,450	182
LP gas generator	-0-	250	(250)
Computer software	472	450	22
Work clothes	195	180	15
Office equipment repairs	10,315	2,068	8,247
Advertising	-0-	300	(300)
Corporate tax	915	3,500	(2,585)
Bad debts	-0-	9,915	(9,915)
Hardware	1,167	1,200	(33)
Janitorial supplies	431	600	(169)
Paint, lamps and hardware	2,698	4,080	(1,382)
Fire extinguishers	573	720	(147)
Equipment rental and repair	350	400	(50)
Diesel and fire pump inspection	1,390	1,620	(230)
Building Repairs	7,720	4,000	3,720
Training and education	161	225	(64)
Water pump inspection	235	250	(15)
Elevator maintenance	6,255	5,653	602
Fire sprinkler repair	345	400	(55)
Pest control – Units	2,756	3,451	(695)
Pool and spa service	6,888	7,280	(392)
Pool and spa repairs	1,769	3,050	(1,281)
Plants	801	800	1
Mulch	4,376	4,400	(24)
Total Disbursements	<u>393,503</u>	<u>399,564</u>	<u>(6,061)</u>
Net Excess (Deficit)	<u>\$ 13,129</u>	<u>\$ -0-</u>	<u>\$ 13,129</u>

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.
PORT CHARLOTTE, FLORIDA
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
FOR YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

The Board of Directors annually conducts a study to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were obtained from historical cost data, contractors data and repair information.

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

<u>Components</u>	<u>Components of Fund Balances at 12/31/11</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2012 Statutory Funding Requirement</u>
Roof	\$ 227,761	14	\$ 315,000	\$ 6,297
Building painting	101,177	1	110,000	4,006
Parking lot	16,171	5	20,000	823
Pool/Spa	15,364	7	20,000	464
Pool furniture	8,110	2	5,000	-0-
Elevator	45,719	21	80,000	1,407
Air conditioners	51,459	5	45,000	1,529
Generator	32,392	16	47,000	927
Fire pump	36,874	21	73,000	1,312
Spa/pool heaters	6,986	3	16,000	3,089
Fire panel	45,463	21	95,000	2,383
Carpet replacement	<u>49,103</u>	5	<u>60,000</u>	<u>2,304</u>
Totals	<u>\$ 636,579</u>		<u>\$ 886,000</u>	<u>\$ 24,541</u>

DEES & DEES
CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL ASSOCIATION

Fred B. Dees, C.P.A.
Fred B. Dees, Jr., C.P.A.

3440 Conway Boulevard
Suite 2-C
Post Office Box 494457
Port Charlotte, Florida 33949-4457
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February 13, 2012

**Board of Directors
Promenades East Condominium Association, Inc.
Port Charlotte, Florida**

In planning and performing our audit of the financial statements of **Promenades East Condominium Association, Inc.** ("Association") for the year ended **December 31, 2011**, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

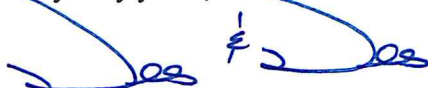
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning this matter.

This communication is intended solely for the information and use of the management, The Associations' Board of Directors, others within the Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



DEES & DEES, C.P.A.'s, P.A.
February 13, 2012

INTERNAL CONTROL MEMORANDUM

Segregation of Duties:

We noted a continued effort by the Association to address our previous recommendation regarding the segregation of duties. Due to the size of the Association's staff, segregation of accounting duties, particularly in relation to cash receipts and cash disbursements, is challenging. Through the utilization of members of the Board of Directors, as well as various outside entities, procedures are being established that should substantially reduce the opportunities for misappropriation and fraud. The Board of Directors should remain actively involved in all of the financial affairs of the Association to provide both oversight and review functions.

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February 13, 2012

Board of Directors
Promenades East Condominium Association, Inc.
Port Charlotte, Florida

We have audited the financial statements of **Promenades East Condominium Association, Inc.** for the year ended **December 31, 2011**, and have issued our report thereon dated February 13, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 1, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated February 1, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Promenades East Condominium Association, Inc.** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year ended December 31, 2011. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no particularly sensitive accounting estimates contained in these financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive of their significance to financial statement users. There are no particularly sensitive disclosures affecting these financial statements.

Board of Directors
Promenades East Condominium Association, Inc.
Page 2
February 13, 2012

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

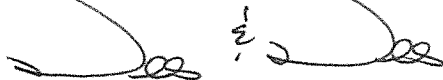
We have requested certain representations from management that are included in the management representation letter dated February 13, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the Board of Directors and management of **Promenades East Condominium Association, Inc.** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



DEES & DEES, C.P.A.'s, P.A.
February 13, 2012