

COMMENTS ON FINANCIAL RESULTS AS OF THE END OF SEPTEMBER 2010 (11 MONTHS)

Please find attached the financial results as of September 30, 2010. You will also find below a summary of the revised expense items forecasted for the year. We have revised these items with current trends with known commitment and we will meet our projection for the year as per the budget approved at the end of October 2009. September is the month where we reverse prior year-end accrual and review each actual component of our budget. You will notice some of the changes.

We have slightly decreased our forecast for the following income items: transfer and screening fees and miscellaneous income.

We have decreased the following expense items: Electricity, water & sewage, garbage and recycling, satellite TV, administrative payroll, payroll taxes, accounting, employee benefits, income tax, landscaping, grounds maintenance and security gate expense. The main area of fluctuation is under the utility heading.

We have increased our forecast for the following expense items: Telephone, bad debt, legal, insurance, and miscellaneous administration, website improvement, miscellaneous maintenance, building maintenance, painting program and awning repairs.

1. WE HAVE THE FOLLOWING INCOME ACCOUNTS:

In total we have very minimum fluctuation in comparison to the August projection. We have revenue accounts that came down, such as the transfer/screening fees and also miscellaneous income. In accordance with current projections we should exceed the revenue side of our budget by \$2,536.00, mainly from the transfer/screening fee. We have noticed lately an increase in long-term tenants that may influence this revenue account in the coming months.

1.1 ESTOPPEL FEE:

Current forecast remain at \$3,900.00, the equivalent of 26 units sold during the year. It does take way too much time to either complete a short sale or a foreclosure and potential buyers simply abandon the whole bidding process. The fact that many lenders like Bank of America, PNC and others have simply stopped the foreclosure process will not be of any help for Waterside. We have asked that procedure for those units be expedited and we wish that at least for the abandoned units which we have to take care of, the courts decide to move ahead with the foreclosures. The same is true for a limited number of our owners that remain on site and are benefitting from the services paid by good paying owners; those foreclosure units should also be accelerated.

2. WE HAVE DECREASED THE FOLLOWING EXPENSE ACCOUNTS:

2.1 ELECTRICITY:

We kept lowering our forecast for quite sometime in every forecast published and we have done it one more time, reducing the expected expense from \$43,000 to \$40,000.00 against a budget of \$52,000.00. FPL was not (and from current public news they will not be) in a position to increase their kilowatts unit cost till 2012. We have to remain concerned since their future increases will be based on returns on capital, so less profit due to bad management will mean cost increases, and this is a double-edged sword. For the current year FPL was not in a position to use the surcharge for the fuel cost component. Let's hope oil prices remain relatively stable. On the brighter side, your Board continues to make positive moves to reduce electricity consumption. With the installation of photocells, the installation of heat pumps, the replacement of old electrical panels, we are now considering replacing the 5 pumps at the pools by more efficient ones. By reducing the power requirements depending on costs, this decision will be made this month and we expect that the return on the investment will be within one year. Later on we will analyse the 4 pumps that handle our sprinkler system.

2.1 WATER AND SEWAGE:

We have further reduced this cost center from \$ 209,000 to \$207,500 compared to a budget of \$240,000. The City of Boynton --- contrary to last year's through-the-roof increase in fixed cost and consumption unit rate --- did remain stable this year. There is a current on-going political debate that concerns the program to increase this cost, and the figure is all over the map, ranging from a no-impact to a \$72.00- a month charge. The debate relates to the safeguarding and restoration of the Everglades. We have to wait and see.

2.3 SATELLITE TV:

We have decreased this cost by \$2,500 from \$71,000 to \$68,500.). We are still over budget, due to payments made to consultants. Providing service to two TVs within a unit and one recorder via a dish in specific areas, the installation cost becomes prohibitive for the Association. We will revert back to the last year's solution and start to implement over the next several months.

3. WE HAVE INCREASED THE FOLLOWING EXPENSES:

3.1 BAD DEBT:

Due to the current situation on the foreclosure legal battle, we have to increase our cost forecast for foreclosures. So from an estimate of \$44,000 we now forecast \$50,000.00 --- equivalent to a cost of \$10.00 per month for every good paying owner, and we need to add \$1.20 for the Association's legal costs to follow up on those files.

3.2 INSURANCE:

We will end the year with \$10,000.00 below budget. We did adjust our forecast this month due to the payment of \$1,500. For the appraisal report, the next time such a report will be due is in 3 years. We have done very well on the insurance cost for the past 2 years, but it does remain the second largest cost center of our budget after water and sewage.

3.3 PAINTING PROGRAM:

We have increased our cost forecast from \$52,000 to \$53,000. This compares to a total year's budget of \$50,000.00. The current forecast covers the architect fee for tests conducted and for some building repairs. Decorative elements being added should be completed By November 1st and the responses from owners on site are very positive.

3.4 OTHER AREAS OF INCREASE:

We will replace the bulletin boards, one by the dumpster and one by the postal kiosk. The new boards will include a side for the social activities and one restricted to the Association matters. Total cost expected is \$1,400.00 inclusive of installation and electrical feed and timer. We have to increase our building maintenance cost, and awning repairs are practically done. The ones that were installed after the hurricanes were glued together instead of being stitched.

CONCLUSION:

In total we now see an excess of revenue in expenses by \$3,668.00, which is very close to previous forecast. (August forecast indicated a surplus of \$324.00.) The reserve accounts are fully funded as we make monthly transfers. Everything is in top shape for a quick year end closing. Please attend the budget meeting October 28, 2010 at 7.30 pm at the Club House.

Major projects are being completed: the pool, the painting program and the summer list of projects. We have already started to work on the next series of projects. We hope to finalize the entrance fountain, which we will either execute or commit to a contractor this year.

Thanks to all of our staff members. We have great stability in staff, with no turnover for nearly 36 months. The site is in excellent condition and the office paper work is also ready for the next audit and quick publication of year-end results. The Association is financially sound. It can face its obligations and continue to invest. The site is now 21 years old and we are at a crossroad of needing to continue to invest in its future.

Gaétan Cardinal, Treasurer -- Andre Mongrain, President

October 11, 2010

WATERSIDE FINANCIAL RESULT
AS OF SEPTEMBER 30, 2010

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>2009/2010</u> <u>BUDGET</u>	<u>VARIANCE</u>
<u>REVENUE</u>				290	
NSF FEE	125	0	125	0	125
100 ASSESSMENTS **	1,173,285	1,173,590	1,280,280	1,280,280	0
102 LATE FEE INCOME	6,780	5,500	7,300	6,000	1,300
103 INTEREST INCOME	111	458	111	500	-389
104 ESTOPPEL FEE	3,750	2,750	3,900	3,000	900
106 ACCESS/GATE CARDS	90	458	100	500	-400
107 TRANSFER/SCREENING FEE	29,100	25,667	31,000	28,000	3,000
108 MISCELLANEOUS INCOME	1,329	3,209	1,500	3,500	-2,000
TOTAL REVENUE	1,214,570	1,211,632	1,324,316	1,321,780	2,536

EXPENSES

UTILITIES

200 ELECTRIC	35,118	47,667	40,000	52,000	-12,000
201 WATER & SEWER	176,962	220,000	207,500	240,000	-32,500
202 GARBAGE & RECYCLING	30,139	31,717	34,800	34,600	200
203 PROPANE GAS	100	916	110	1,000	-890
204 CABLE T.V.	60,700	60,500	68,500	66,000	2,500
205 TELEPHONE	7,373	6,875	8,650	7,500	1,150
205.1 WIFI	1,364	1,833	1,700	2,000	-300
	311,756	369,508	361,260	403,100	-41,840

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>2009/2010</u> <u>BUDGET</u>	<u>VARIANCE</u>
ADMINISTRATIVE					
300 PAYROLL-ADMINISTRATIVE	100,795	103,455	111,400	112,860	-1,460
301 PAYROLL-MAINTENANCE	61,385	60,500	67,000	66,000	1,000
302 PAYROLL TAXES	14,781	13,750	15,800	15,000	800
302.1 EMPLOYEE BENEFITS	9,572	11,458	10,500	12,500	-2,000
303 PAYROLL SERVICE FEES	1,081	3,392	1,081	3,700	-2,619
304 SECURITY GUARDS	47,405	48,125	52,000	52,500	-500
305 ACCOUNTING	19,839	23,833	24,200	26,000	-1,800
305.1 BANK FEES	693	917	750	1,000	-250
305.2 BAD DEBT	4,874	32,083	50,000	35,000	15,000
305.3 COLLECTION COST	4,930	0	6,000	0	6,000
306 AUDITING	4,325	4,400	4,325	4,800	-475
307 LEGAL	7,705	13,062	9,200	14,250	-5,050
308 PROPERTY TAX	0	2,017	2,157	2,200	-43
309 INCOME TAX	0	733	0	800	-800
310 INSURANCE	166,991	175,542	181,203	191,500	-10,297
311 OFFICE SUPPLIES	3,047	4,125	4,100	4,500	-400
312 POSTAGE & SHIPPING	1,929	3,208	2,300	3,500	-1,200
313 LICENSES	2,334	2,292	2,334	2,500	-166
314 TRAVEL & MILEAGE	597	367	800	400	400
315 MEETINGS & EDUCATION	269	229	269	250	19
316 SCREENING	8,742	7,333	9,700	8,000	1,700
317 ALARM SYSTEM	346	550	400	600	-200
318 COMPUTER REPAIR/SERVICE	414	2,200	414	2,400	-1,986
319 COPIER	3,416	3,300	3,700	3,600	100
320 MISCELLANEOUS ADMIN.EXP.	5,461	4,584	6,500	5,000	1,500
320.1 WEBSITE IMPROVEMENT	350	2,292	2,350	2,500	-150
	471,281	523,747	568,483	571,360	-2,877

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<u>MAINTENANCE</u>					
400 GASOLINE	803	688	850	750	100
401 SPRINKLERS	7,893	11,000	8,500	12,000	-3,500
402 PEST CONTROL	20,703	20,167	25,000	22,000	3,000
402.6 MISC. MAINT.EXP.	2,225	458	4,500	500	4,000
403 LANDSCAPING	96,686	102,667	110,500	112,000	-1,500
403.1 FERTILIZATION-WEED CONT.	9,169	7,333	10,200	8,000	2,200
404 TREE TRIMING	11,083	10,083	11,083	11,000	83
404.1 NEW TREES & BUSHES	19,027	16,500	21,500	18,000	3,500
405 BUILDING MAINTENANCE	32,430	19,250	34,000	21,000	13,000
406 GROUNDS MAINTENANCE	10,428	6,417	14,000	7,000	7,000
407 SECURITY GATE EXPENSE	3,719	3,667	4,700	4,000	700
408 CAMERA & VIDEO EXP.	0	917	0	1,000	-1,000
409 PLUMBING EXP.	1,633	1,375	1,800	1,500	300
410 ELECTRICAL EXP.	5,160	4,583	5,500	5,000	500
411 POOL SUPPLIES & REPAIR	7,792	12,833	9,500	14,000	-4,500
412 STREET MAINTENANCE	3,487	3,667	4,000	4,000	0
413 UNIFORMS	257	229	257	250	7
414 GOLF CARTS	2,689	1,833	3,000	2,000	1,000
415 LOCKSMITH	85	458	150	500	-350
416 FIRE SAFETY	8,260	5,271	8,260	5,750	2,510
417 JANITORIAL SUPPLIES	1,398	3,025	1,700	3,300	-1,600
420 PAINTING PROGRAM	22,148	45,833	53,000	50,000	3,000
421 STREET LIGHT	1,175	1,833	2,000	2,000	0
425 POOL CHAIRS/TABLES	1,765	1,834	2,365	2,000	365
426 ENTRANCE SIGNS/FOUNTAIN	0	2,750	3,000	3,000	0
429 BENCHES REPLACEMENT	3,602	5,500	3,602	6,000	-2,398
430 SHUFFLE BOARD SURFACING	2,990	2,750	2,990	3,000	-10
431 CLUB HOUSE IMPROVEMENT	7,984	6,417	7,984	7,000	984
AWNINGS REPAIRS	27,984	0	29,500	0	29,500
	312,575	299,338	383,441	326,550	56,891

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450 CONTINGENCY	5,531	18,123	7,531	19,770	-10,270
476 INTEREST EXPENSE	13	916	13	1,000	-950
	5,544	19,039	7,544	20,770	-11,220
GRAND TOTAL EXPENSES	1,101,156	1,211,632	1,320,628	1,321,780	-1,152
SURPLUS REVENU OVER EXPENSES	113,414	0	3,688	0	-3,688

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RESERVES					
2510 ROOFS	22,917	22,917	25,000	25,000	0
2515 PAINTING	2,200	2,200	2,400	2,400	0
2530 ASPHALT	32,083	32,083	35,000	35,000	0
2542 POOLS	11,550	11,550	12,600	12,600	0
2543 AWNINGS	18,333	18,333	20,000	20,000	0
2546 SPRINKLERS	4,583	4,583	5,000	5,000	0
2545 WORKING CAPITAL	22,917	22,917	25,000	25,000	0
2544 INTEREST REV. RESERVE	5,452	5,500	6,000	5,000	1,000
2548 LAND PURCHASE	22,917	22,917	25,000	25,000	0
	142,952	143,000	156,000	155,000	1,000

Gaetan Cardinal, Treasurer