

**TABERNA MASTER HOMEOWNERS
ASSOCIATION, INC.**

INTERIM FINANCIAL REPORT

**FOR THE THREE MONTH AND
YEAR-TO-DATE PERIODS ENDED MARCH 31, 2004**

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To the Board of Directors of
Taberna Master Homeowners Association, Inc.
Oriental, North Carolina

I have compiled the accompanying interim balance sheet of Taberna Master Homeowners Association, Inc., as of March 31, 2004, and the related interim statement of revenues, expenses, and changes in fund balance for the three month and year-to-date periods ended March 31, 2004, and the accompanying supplementary information contained in Schedule 1, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and the supplementary schedule information that is the representation of management. I have not audited or reviewed the accompanying interim financial statements and supplementary schedule and, accordingly, do not express an opinion or any other form of assurance on them. However, I did become aware of a departure from generally accepted accounting principles that is described in the following paragraph..

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in these interim financial statements, they might influence the user's conclusions about the Taberna Master Homeowners Association, Inc.'s financial position, results of operations, and cash flows. Accordingly, these interim financial statements are not designed for those who are not informed about such matters.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basis financial statements. The Taberna Master Homeowners Association, Inc., has not presented this supplementary information.

I am not independent with respect to Taberna Master Homeowners Association, Inc.



Mona Kay Sadler, PC

April 26, 2004

Taberna Master Homeowners Assoc., Inc.

Balance Sheet

March 31, 2004

ASSETS

Assets		
BB&T Checking - Taberna	\$	111,582.24
Taberna Reserve Account		25,067.13
Petty Cash		200.00
Accounts Receivable		12,006.13
		<hr/>
	\$	<u>148,855.50</u>

LIABILITIES AND FUND BALANCE

LIABILITIES		
Payables and Prepaid Dues	\$	<u>18,206.75</u>
		18,206.75
FUND BALANCE		
Reserved by Special Fund		451.00
Reserved for Tribune		1,956.00
Fund Balance		<u>128,241.75</u>
		<hr/>
		130,648.75
Total Liability and Fund Balance	\$	<u>148,855.50</u>

See Accountant's Report.

Taberna Master Homeowners Assoc., Inc.
Statement of Revenues, Expenses, and Changes in Fund Balance
For the Three Month and Year-to-Date Periods Ending March 31, 2004
With Comparative Budget Amounts

	Current Actual	Year-to-Date Actual	Year-to-Date Budget
REVENUES			
Dues Assessments	\$ 131,833.05	\$ 131,833.05	\$ 127,046.00
Interest income	13.16	13.16	0.00
Advertising Income	545.50	545.50	0.00
	<hr/>	<hr/>	<hr/>
Total Revenues	132,391.71	132,391.71	127,046.00
EXPENSES			
Entry Way Improvements	0.00	0.00	7,650.00
Landscaping - Basic Contract	12,180.00	12,180.00	47,500.00
Landscaping - Extras	9,992.00	9,992.00	19,200.00
Landscaping-Interior Common	287.00	287.00	3,800.00
Landscaping - Park	2,670.00	2,670.00	9,000.00
Landscaping-Miscellaneous	933.00	933.00	8,600.00
Insurance	0.00	0.00	3,500.00
Maintenance & Replacement R	0.00	0.00	6,646.00
Utilities - Water	497.19	497.19	3,000.00
Utilities - Electricity	381.57	381.57	1,600.00
Taxes	512.75	512.75	0.00
Administrative Expenses	1,048.03	1,048.03	3,000.00
Accounting	2,298.45	2,298.45	3,000.00
Lake Aquatic Management	0.00	0.00	400.00
Miscellaneous	637.01	637.01	500.00
Annual Meeting	0.00	0.00	1,000.00
Social Programs	41.67	41.67	500.00
Dues & Mowing Delinquencies	<49.00>	<49.00>	500.00
Mailbox & Posts	761.13	761.13	0.00
Rent	675.00	675.00	2,650.00
Legal	755.63	755.63	5,000.00
	<hr/>	<hr/>	<hr/>
Total Expenses	33,621.43	33,621.43	127,046.00
EXCESS (DEFICIENCY) OF	\$ <u>98,770.28</u>		\$ <u>0.00</u>
REVENUES OVER EXPENSES		98,770.28	
BEGINNING FUND BALANCE		<u>29,471.47</u>	
ENDING FUND BALANCE		\$ 130,648.75	

See Accountant's Report

Taberna Master Homeowners Assoc., Inc.
Account Reconciliation
 As of Mar 31, 2004
 100 - BB&T Checking - Taberna
 Bank Statement Date: March 31, 2004

Filter Criteria includes: Report is printed in Detail Format.

Beginning GL Balance		24,680.08
Add: Cash Receipts		128,895.34
Less: Cash Disbursements		<47,711.15>
Add <Less> Other		<u>5,717.97</u>
Ending GL Balance		<u>111,582.24</u>
Ending Bank Balance		111,686.72
Add back deposits in transit		
Total deposits in transit		
<Less> outstanding checks		
Mar 26, 2004 920	<104.48>	
Total outstanding checks		<104.48>
Add <Less> Other		
Total other		
Unreconciled difference		<u>0.00</u>
Ending GL Balance		<u><u>111,582.24</u></u>

Taberna Master Homeowners Assoc., Inc.
Account Reconciliation
As of Mar 31, 2004
116 - Taberna Reserve Account
Bank Statement Date: March 31, 2004

Filter Criteria includes: Report is printed in Detail Format.

Beginning GL Balance	21,053.97
Add: Cash Receipts	
Less: Cash Disbursements	4,000.00
Add <Less> Other	<u>13.16</u>
Ending GL Balance	<u>25,067.13</u>
Ending Bank Balance	25,067.13
Add back deposits in transit	<u> </u>
Total deposits in transit	
<Less> outstanding checks	<u> </u>
Total outstanding checks	
Add <Less> Other	<u> </u>
Total other	
Unreconciled difference	<u> </u>
Ending GL Balance	<u><u>25,067.13</u></u>

Estimate of Taberna HOA Reserves Requirement

	<u>Year Acquired</u>	<u>Est'd Life - Yrs</u>	<u>Est'd Repl Cost</u>	<u>Age at y/e 2004</u>	<u>Target Y/E Reserves</u>
Taberna Assets					
Entrance Walls & Columns					
Labor, materials, column caps	1996	40	11,000	8	2,200
Labor, 39 small columns	1996	40	39,000	8	7,800
Labor, 4 large columns	1996	40	5,000	8	1,000
Caps for columns	1996	40	10,000	8	2,000
Taberna seal mold case	1996	20	2,500	8	1,000
Foundry cast letters	1996	20	6,000	8	2,400
Install signage & Lights	1996	20	5,000	8	2,000
Total			<u>78,500</u>		<u>18,400</u>
Wrought Iron Fences					
Thirty-three 20' sections 4' high	1996	20	40,000	8	16,000
Main fence	1996	20	6,000	8	2,400
Total			<u>46,000</u>		<u>18,400</u>
Irrigation entrance					
Lines, electrical panel, controller	1998	20	<u>42,000</u>	6	12,600
Canoe Dock & Walkway					
Walkway	1998	15	25,000	6	10,000
Shelter	1998	15	7,000	6	2,800
Boat docks	1998	15	8,000	6	3,200
Canoes, racks, vests	1998	10	3,000	6	1,800
Total			<u>43,000</u>		<u>17,800</u>
Park					
Two walkways	2000	15	23,000	4	6,133
Pavilion	2000	15	7,000	4	1,867
Sprinkler system / controls	2000	20	5,000	4	1,000
Total			<u>35,000</u>		<u>9,000</u>
Other					
Benches 2 cement 3	2003	20	1,000	1	50
Signs, 8	'98-'03	20	4,000	4	700
Arbon sprinkler system	2003	20	3,000	1	150
Landscaping, shrubbery, sod	'98-'03	20	60,000	4	10,500
Total			<u>68,000</u>		<u>11,400</u>
<i>Berms</i>					
GRAND TOTAL			312,500		87,600

Taberna Master Homeowners Assoc., Inc.
 Schedule 1 -- Cash Flow
 For the Current Quarter and Year to Date Periods
 Ended March 31, 2004

	Current Quarter Actual	Current Quarter Budget	Year-to-Date Actual	Year-to-Date Budget	Annual Budget	Total Year Projected	Year-to-Date Budget to Actual Variance Favorable (Unfavorable)
Cash Receipts							
Dues assessments	119,758.18	127,046.00	119,758.18	127,046.00	127,046.00	131,833.05	7,287.82
Interest income	13.16	0.00	13.16	0.00	0.00	52.64	(13.16)
Miscellaneous income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Advertising income	545.50	0.00	545.50	0.00	0.00	2,182.00	(545.50)
Compliance Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total cash receipts	120,316.84	127,046.00	120,316.84	127,046.00	127,046.00	134,067.69	6,729.16
Cash Disbursements							
Landscaping basic contract	12,180.00	11,875.00	12,180.00	11,875.00	47,500.00	47,500.00	(305.00)
Landscaping extras	9,992.00	4,800.00	9,992.00	4,800.00	19,200.00	19,200.00	(5,192.00)
Landscaping interior	287.00	950.00	287.00	950.00	3,800.00	3,800.00	663.00
Landscaping park	2,670.00	2,250.00	2,670.00	2,250.00	9,000.00	9,000.00	(420.00)
Landscaping miscellaneous	933.00	0.00	933.00	0.00	8,600.00	9,533.00	(933.00)
Insurance	0.00	0.00	0.00	0.00	3,500.00	3,500.00	0.00
Utilities water	497.19	750.00	497.19	750.00	3,000.00	3,000.00	252.81
Utilities electricity	381.57	400.00	381.57	400.00	1,600.00	1,600.00	18.43
Taxes	306.00	0.00	306.00	0.00	0.00	0.00	(306.00)
Administrative expenses	943.55	750.00	943.55	750.00	3,000.00	3,000.00	(193.55)
Accounting	2,298.45	750.00	2,298.45	750.00	3,000.00	3,000.00	(1,548.45)
Lake aquatic management	0.00	0.00	0.00	0.00	400.00	400.00	0.00
Miscellaneous	637.01	0.00	637.01	0.00	500.00	500.00	(637.01)
Annual meeting	0.00	0.00	0.00	0.00	1,000.00	1,000.00	0.00
Rent	675.00	662.50	675.00	662.50	2,650.00	2,650.00	(12.50)
Social programs	41.67	125.00	41.67	125.00	500.00	500.00	83.33
Dues and delinquent mowing	(49.00)	125.00	(49.00)	125.00	500.00	500.00	174.00
Entry way improvements	761.13	0.00	761.13	0.00	7,650.00	7,650.00	(761.13)
Vacant lot mowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal	755.63	1,250.00	755.63	1,250.00	5,000.00	5,000.00	494.37
Major maintenance and replacement	0.00	0.00	0.00	0.00	6,646.00	6,646.00	0.00
Total Cash Disbursements	33,310.20	24,687.50	33,310.20	24,687.50	127,046.00	127,979.00	(8,622.70)
Net increase (decrease)	87,006.64		87,006.64				
Cash Balance, Beginning	24,680.08		24,680.08				
Cash Balance, Ending	111,686.72		111,686.72				
		<i>12/31/03 bank stmt</i>					<i>3/31/04 bank stmt</i>
Less Cash Unavailable For Use							
In Current Operations:							
Compliance Deposits			(18,000.00)				
Special Fund			(451.00)				
Tribune Fund			(1,956.00)				
Net Cash			91,279.72				

OWNERS' ASSOCIATION ADDENDUM

(To be used for resale only)

For the purposes of this Addendum, "Development" means the Condominium/Planned Community development of which the Property is a part.

1. To the best of Seller's knowledge, the regular owners' association dues as set forth in paragraph 7(e) of the Contract include the following items: (Check all that apply)

- Master Insurance Premium
Real Property Taxes on the Common Areas
Management Fee
Exterior Building Maintenance
Exterior Yard/Landscaping Maintenance
Trash Removal
Cable TV
Water
Sewer
Pool Maintenance
Tennis Court Maintenance
Pest Extermination

Landscaping/Maintenance is for Taberna HOA common areas. Water is for HOA irrigation use only. NOTE: The HOA insurance policy is a liability policy on HOA personnel. The HOA does not own any capital equipment or buildings.

2. To the best of Seller's knowledge, as of this date, there are no other dues, fees or assessments, confirmed or pending, payable by the Development's property owners, except: AND DOES INCLUDE TO PROPERTY COVERAGE FOR THE FRONT ENTRANCE AND CANOE FACILITIES

NONE

3. To the best of Seller's knowledge, there are no unsatisfied judgments against or pending lawsuits involving the Property and/or the owners' association, except:

NONE

4. The parties agree that [X] Seller [] Buyer will pay any charge made by the owners' association in connection with the disposition of the Property to Buyer, including any transfer and/or document fee imposed by the owners' association.

5. The name, address and telephone number of the President of the owners' association or the Property Manager is:

Bill Rounds, (252) 635-9247

6. Seller agrees, upon Buyer's request, to use best efforts to deliver to Buyer as soon as reasonably possible after the Effective Date of the Contract copies of any documents in possession of Seller relating to the Development, such as the face cover sheet from the Development's master insurance policy showing the total coverage amount and the deductible amount, the recorded Declaration and Restrictive Covenants of the Development, the Rules and Regulations of the Development, the Articles of Incorporation and Bylaws of the owners' association, the current Financial Statement and budget of the owners' association, and/or any parking information of the Development.

The parties have read, understand and accept the terms of this Addendum as a part of the Contract.

IN THE EVENT OF A CONFLICT BETWEEN THIS ADDENDUM AND THE OFFER TO PURCHASE AND CONTRACT, THIS ADDENDUM SHALL CONTROL.

Date: _____

Date: _____

Buyer: _____ (SEAL)

Seller: _____ (SEAL)

Date: _____

Date: _____

Buyer: _____ (SEAL)

Seller: _____ (SEAL)

