

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

PORT ST. LUCIE, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For Year Ended December 31, 2008

Gerald Jackson, Jr.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. James Golf Club Homeowners Association, Inc.

I have audited the accompanying balance sheet of St. James Golf Club Homeowners Association, Inc., as of December 31, 2008, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. James Golf Club Homeowners Association, Inc. as of December 31, 2008 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.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of Revenues and Expenses vs. Budget is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Supplementary Information on Future Major Repairs and Replacements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Gerald Jackson Jr. CPA
Port St Lucie, Florida
February 16, 2009

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2008

	2008			2007
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
CASH, INCLUDING INTEREST BEARING ACCOUNTS	\$ 292,142	\$ 301,576	\$ 593,718	\$ 358,512
ASSESSMENTS RECEIVABLE	152,917	0	152,917	95,096
Less: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(130,851)	0	(130,851)	(45,963)
OTHER RECEIVABLES	1,365	0	1,365	1,410
PREPAID INSURANCE	15,637	0	15,637	25,498
OTHER PREPAID EXPENSES	698	0	698	35,168
DEPOSITS	2,600	0	2,600	2,600
FURNITURE & EQUIPMENT	7,435	0	7,435	7,435
LESS: ACCUMULATED DEPRECIATION	(5,323)	0	(5,323)	(4,048)
TOTAL ASSETS	\$ 336,620	\$ 301,576	\$ 638,196	\$ 475,708
LIABILITIES AND FUND BALANCES				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 644	\$ 0	\$ 644	1,243
ASSESSMENTS PAID IN ADVANCE	54,668	0	54,668	85,321
PAYROLL TAXES PAYABLE	2,321	0	2,321	3,881
INCOME TAXES PAYABLE	1,248	0	1,248	825
TOTAL LIABILITIES	58,881	0	58,881	91,270
FUND BALANCES	277,739	301,576	579,315	384,438
TOTAL LIABILITIES AND FUND BALANCES	\$ 336,620	\$ 301,576	\$ 638,196	\$ 475,708

Read the Accompanying Notes to Financial Statements.

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.
Statement of Revenues, Expenditures and Changes in Fund Balance
For Year Ended December 31, 2008

	2008			2007
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
ASSESSMENTS	\$ 1,139,326	\$ 104,090	\$ 1,243,416	\$ 1,227,429
CONTRIBUTIONS - INITIAL CAPITAL	9,120	0	9,120	4,500
INTEREST INCOME	1,128	8,110	9,238	5,194
LATE FEES AND FINE INCOME	9,813	0	9,813	17,819
HOMEOWNER PUBLICATIONS	2,305	0	2,305	2,200
APPLICATION & SALES FEES	6,560	0	6,560	6,700
GATE OPENERS	4,840	0	4,840	2,350
MISCELLANEOUS INCOME	5,999	0	5,999	4,915
TOTAL REVENUES	1,179,091	112,200	1,291,291	1,271,107
<u>EXPENDITURES</u>				
ADMINISTRATION	176,209	0	176,209	142,869
MAINTENANCE & REPAIRS - GENERAL	58,049	0	58,049	56,610
INSURANCE	19,760	0	19,760	20,537
GROUNDS, LANDSCAPE & IRRIGATION	417,537	0	417,537	423,103
LAKE & FOUNTAIN	35,551	0	35,551	32,620
CLUBHOUSE OPERATING	41,599	0	41,599	38,062
UTILITIES	320,974	0	320,974	290,742
HOA IMPROVEMENTS	1,520	0	1,520	27,756
CONTINGENCY	1,108	0	1,108	21,392
DEPRECIATION EXPENSE	1,275	0	1,275	1,275
INCOME TAX EXPENSE	1,273	0	1,273	825
MAJOR REPAIRS & REPLACEMENTS	0	21,559	21,559	5,292
TOTAL EXPENDITURES	1,074,855	21,559	1,096,414	1,061,083
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	104,236	90,641	194,877	210,024
FUND BALANCES, BEGINNING OF YEAR	173,503	210,935	384,438	174,414
FUND BALANCES, END OF YEAR	\$ 277,739	\$ 301,576	\$ 579,315	\$ 384,438

Read the Accompanying Notes to Financial Statements.

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.
Statement of Cash Flows - Direct Method
For Year Ended December 31, 2008

INCREASE(DECREASE) IN CASH	2008			2007
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 1,050,852	\$ 104,090	\$ 1,154,942	\$ 1,166,962
Contributed Capital	4,500	0	4,500	4,500
Interest Income	0	8,110	8,110	5,194
Other Receipts	29,517	0	29,517	33,984
Cash Payments to Vendors and Suppliers	(940,304)	(21,559)	(961,863)	(1,068,712)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>144,565</u>	<u>90,641</u>	<u>235,206</u>	<u>141,928</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Change in Interfund Borrowing	0	0	0	0
Purchase of Fixed Assets	0	0	0	0
NET CASH USED BY INVESTING ACTIVITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	144,565	90,641	235,206	141,928
CASH AT BEGINNING OF YEAR	147,577	210,935	358,512	216,584
CASH AT END OF YEAR	<u>\$ 292,142</u>	<u>\$ 301,576</u>	<u>\$ 593,718</u>	<u>\$ 358,512</u>
RECONCILIATION OF EXCESS OF ASSESSMENTS AND REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficit) of revenues over expenses	\$ 104,236	\$ 90,641	\$ 194,877	\$ 210,024
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
Depreciation				
Depreciation	1,275	0	1,275	1,275
(Increase) Decrease in:				
Assessments Receivable	(57,821)	0	(57,821)	(61,923)
Other Receivables	45	0	45	(1,410)
Allowance for Doubtful Accounts	84,888	0	84,888	45,963
Prepaid Insurance	9,861	0	9,861	(1,499)
Other Prepaid Expenses	34,470	0	34,470	(34,243)
Deposits	0	0	0	0
Increase (Decrease) in:				
Accounts Payable	(599)	0	(599)	(22,128)
Payroll Taxes Payable	(1,560)	0	(1,560)	3,588
Income Taxes Payable	423	0	423	825
Assessments Received in Advance	(30,653)	0	(30,653)	1,456
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 144,565</u>	<u>\$ 90,641</u>	<u>\$ 235,206</u>	<u>\$ 141,928</u>

Read the Accompanying Notes to Financial Statements.

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PURPOSE

St James Golf Club Homeowners Association, Inc. was organized as a Florida not-for-profit corporation on October 15, 1998. The Association has been organized for the purpose of operating and maintaining the common property of the Association to enforce the covenants, conditions, restrictions, and other provisions pursuant to Chapter 720 of the Florida Statutes. The Association will include 698 residential units upon completion. All policy decisions are formed by the Board of Directors. .

All policy decisions are formed by the Board of Directors. Major decisions as defined in the Association's By-Laws, are referred to the general Association membership for approval before action is taken.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements have been prepared pursuant to Chapter 720 of the Florida Statutes. The Association's governing documents provide certain guidelines for conducting its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments:

Association members are subject to quarterly assessments in advance, to provide funds for the Association's operating expenses and a reserve for major repairs and replacements. Fiscal Year quarterly member assessments for 2008 were based upon the proportionate share of common expenses for the adopted budget. The annual budget and member assessments are determined and approved by the Board of Directors. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are in arrears.

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Common Property and Fixed Assets

The Association's common property consists of a clubhouse, pool, tennis courts, gatehouse, lakes, drains, inter-connecting lake conduits, entrance, roads, street lighting and related greenbelt areas. Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because the properties may not be disposed of at the discretion of the Board of Directors and are used exclusively by homeowners.

Effective January 1, 2006, the board of directors has established the policy of capitalizing as fixed assets items with lives of at least 5 years costing \$2,500 or more.

Interest Earned:

The Board's policy is to retain interest earned on replacement fund investments in the replacement fund.

Income Taxes:

Homeowners Associations may elect to be taxed either as regular corporations or as homeowners Association. For the year ended December 31, 2008, the Association has elected to be taxed as a homeowners Association in accordance with Internal Revenue Code Section 528. Under this section, the Association is taxed on its nonexempt function income, such as net investment earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For presentation purposes, the Association consolidates checking, money market and certificates of deposit.

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Cash Flows:

The Association presents changes in cash flows using the direct method.

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The board is funding for major repairs and replacements over the estimated useful lives of the components based on the Board of Directors update of current replacement costs, considering amount previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on the estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacement. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following table reflects the replacement fund assessments, interest income and expenditures during the current fiscal year, along with the beginning and closing balances by the various components:

<u>RESERVES</u>	<u>Beginning</u>	<u>Owner</u>	<u>Current Year</u>		<u>Ending</u>
	<u>Balance</u>	<u>Funding</u>	<u>Interest</u>	<u>Expended</u>	<u>Balance</u>
Common Facilities	38,354	22,703	8,110	(7,571)	61,596
Clubhouse/Office/Gym					
Pool & Spa					
Gatehouse					
Tennis Court					
Tot Lot					
Drain/Irrigation/Landscaping	58,000	5,000	0	(3,540)	59,460
Roadways/Walks/Curbs	89,581	71,387	0	0	160,968
Storm/Emergency	25,000	5,000	0	(10,448)	19,552
Totals	<u>210,935</u>	<u>104,090</u>	<u>8,110</u>	<u>(21,559)</u>	<u>301,576</u>

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEVELOPER TURNOVER

Turnover from the developer occurred on March 11, 2005. As of December 31, 2008, financial and other issues related to the turnover were not yet resolved.

NOTE 5- ALLOWANCE FOR DOUBTFUL ACCOUNTS

Due to current real estate market conditions, the association has established an allowance for doubtful accounts and recorded \$ 87,192 in 2008 as an allowance for doubtful accounts (cumulative total allowance of \$130,851 as of December 31, 2008).

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Comparison of Actual vs. Budget-Operating

For Year Ended December 31, 2008

	<u>2007</u>	<u>2008</u>		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>
<u>REVENUES</u>				
Assessments	1,123,339	1,139,326	1,141,510	-0.2%
Contributions - Initial Capital	4,500	9,120	0	0.0%
Late Fee and Fine Income	17,819	9,813	0	0.0%
Interest Income	0	1,128	0	0.0%
Homeowner Publications Revenue	2,200	2,305	1,800	28.1%
Application & Sales Fees	6,700	6,560	0	0.0%
Gate Openers	2,350	4,840	0	0.0%
Miscellaneous Income	4,915	5,999	5,000	20.0%
TOTAL REVENUES	1,161,823	1,179,091	1,148,310	2.7%
<u>EXPENSES</u>				
Administrative Salaries	28,977	32,440	28,000	-15.9%
Accounting	8,329	7,460	9,000	17.1%
Legal	29,977	24,065	25,000	3.7%
Professional Fees-Other	2,968	2,166	2,500	13.4%
Office Supplies	8,128	9,964	4,500	-121.4%
Postage and Delivery	3,472	3,691	4,500	18.0%
Taxes - Payroll	7,385	5,762	7,800	26.1%
Taxes - Local County	1,984	1,984	0	0.0%
Homeowner Publication Expense	3,614	1,211	5,000	75.8%
Misc. Administrative	741	143	1,200	88.1%
Government Fees	520	131	2,000	0.0%
Allowance-Uncollectable A/R	46,774	87,192	1,800	-4744.0%
Total - ADMINISTRATION	142,869	176,209	91,300	-93.0%
Maintenance & Repairs- General				
Gatehouse	6,242	7,439	6,000	-24.0%
Street Maintenance	44	221	5,000	95.6%
Tennis Courts & Playground	596	11	1,000	98.9%
Repairs & Maintenance	3,042	4,940	12,500	60.5%
Maintenance Wages	46,686	45,438	45,000	-1.0%
Total - Maintenance & Repairs	56,610	58,049	69,500	16.5%
Insurance				
Umbrella	692	780	450	-73.3%
Directors & Officers	2,856	2,856	3,200	10.8%
Liability Insurance	6,313	4,709	7,000	32.7%
Rec Center	7,157	8,220	9,550	13.9%
Workers Compensation Insurance	3,519	3,195	1,800	-77.5%
Total - Insurance	20,537	19,760	22,000	10.2%

Read the Accompanying Notes to Financial Statements.

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Comparison of Actual vs. Budget-Operating

For Year Ended December 31, 2008

	<u>2007</u>	<u>2008</u>		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>
<u>EXPENSES: (continued)</u>				
Grounds, Landscape & Irrigation				
Landscape Maintenance Contract	374,940	373,934	389,624	4.0%
Irrigation Repair	6,193	8,439	10,000	15.6%
Landscape Replacement	6,293	3,074	12,000	74.4%
Landscape & Grounds	35,677	32,090	33,100	3.1%
Total - Grounds Landscape & Irrigation	423,103	417,537	444,724	6.1%
Lake & Fountain				
Lake Maintenance Contract	19,795	20,400	20,400	0.0%
Lake Repairs & Maintenance	0	0	5,000	0.0%
Fountain Maintenance Contract	819	1,489	2,500	40.4%
Wetland Monitoring	12,006	13,662	16,008	14.7%
Total - Lake & Fountain	32,620	35,551	43,908	19.0%
Clubhouse Operating				
Clubhouse Cleaning	9,640	8,816	9,500	7.2%
Repairs & Maintenance	3,695	2,995	4,500	33.4%
Pool Operations and Repairs	12,346	13,370	13,620	1.8%
Trash	3,285	2,855	3,606	20.8%
Water and Sewer	2,863	3,377	3,200	-5.5%
Gym Equipment Repairs & Maint.	600	1,019	1,000	-1.9%
Treadmill Lease	311	2,203	0	0.0%
Clubhouse Operating	4,944	6,554	7,500	12.6%
Pest Control	378	410	500	18.0%
Total - Clubhouse Operating	38,062	41,599	43,426	4.2%
Utilities				
Electric - General	14,325	18,524	13,000	-42.5%
Electric - Clubhouse	14,862	18,114	15,500	-16.9%
Electric - Street Lights	20,090	25,762	25,450	-1.2%
Cable Television	236,135	253,420	265,000	4.4%
Telephone	5,330	5,154	4,500	-14.5%
Total - Utilities	290,742	320,974	323,450	0.8%
HOA Improvements	27,756	1,520	83,040	0.0%
Contingency Expense	21,392	1,108	26,962	0.0%
Depreciation Expense	1,275	1,275	0	0.0%
Income Taxes	825	1,273	0	0.0%
TOTAL EXPENSES	1,055,791	1,074,855	1,148,310	6.4%
NET SURPLUS / (DEFICIT)	106,032	104,236	0	

Read the Accompanying Notes to Financial Statements.

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
For Year Ended December 31, 2008

The Board of Directors had a study performed by an engineering firm in the first quarter of 2006. The information listed below was based on that study and was updated in 2008 based on the Board of Directors estimates.

<u>Component</u>	<u>Estimated Useful Life</u>		<u>Requirements</u>		<u>Actual 2009 Funding</u>	<u>Replacement Fund Balance At 12/31/2008</u>
	<u>Original Life</u>	<u>Remaining Life</u>	<u>Estimated Current Replacement Cost</u>	<u>2009 Funding Requirement</u>		
Common Facilities	5 - 10	1-4	151,616	33,471	33,471	61,596
Clubhouse/Office/Gym						
Pool & Spa						
Gatehouse						
Tennis Court						
Tot Lot						
Drain/Irrigation/Landscaping	3-10	1-3	119,150	16,787	16,787	59,460
Roads/Walks/Curbs	10-12	5-6	540,852	66,507	66,507	160,968
Storm/Emergency	3	3	30,000	1,667	1,667	19,552
Total			\$ 841,618	\$ 118,432	\$ 118,432	\$ 301,576