

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

PORT ST. LUCIE, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For Year Ended December 31, 2009

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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, 2009, 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, 2009 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.

Gerald Jackson Jr. CPA
Port St Lucie, Florida
February 15, 2010

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2009

	2009			2008
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
CASH, INCLUDING INTEREST BEARING ACCOUNTS	\$ 297,944	\$ 461,397	\$ 759,341	\$ 593,718
ASSESSMENTS RECEIVABLE	180,201	0	180,201	152,917
Less: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(128,602)	0	(128,602)	(130,851)
OTHER RECEIVABLES	315	0	315	1,365
PREPAID INSURANCE	14,073	0	14,073	15,637
OTHER PREPAID EXPENSES	0	0	0	698
DEPOSITS	2,600	0	2,600	2,600
FURNITURE & EQUIPMENT	0	0	0	7,435
LESS: ACCUMULATED DEPRECIATION	0	0	0	(5,323)
TOTAL ASSETS	\$ 366,531	\$ 461,397	\$ 827,928	\$ 638,196
LIABILITIES AND FUND BALANCES				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 11,459	\$ 0	\$ 11,459	644
ASSESSMENTS PAID IN ADVANCE	84,840	0	84,840	54,668
PAYROLL TAXES PAYABLE	532	0	532	2,321
INCOME TAXES PAYABLE	585	0	585	1,248
HOA DEFERRED IMPROVEMENTS	112,613	0	112,613	0
TOTAL LIABILITIES	210,029	0	210,029	58,881
FUND BALANCES	292,686	461,397	754,083	579,315
RECLASSIFY HOA IMPROVEMENTS FROM OPER. FUND BALANCE (NOTE 6)	(136,184)	0	(136,184)	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 366,531	\$ 461,397	\$ 827,928	\$ 638,196

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, 2009

	2009			2008
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
ASSESSMENTS	\$ 1,128,972	\$ 118,432	\$ 1,247,404	\$ 1,243,416
CONTRIBUTIONS - INITIAL CAPITAL	0	0	0	9,120
INTEREST INCOME	234	6,420	6,654	9,238
LATE FEES AND FINE INCOME	10,058	0	10,058	9,813
HOMEOWNER PUBLICATIONS	2,840	0	2,840	2,305
APPLICATION & SALES FEES	9,670	0	9,670	6,560
GATE OPENERS	4,360	0	4,360	4,840
MISCELLANEOUS INCOME	8,018	0	8,018	5,999
HOA IMPROVEMENTS (FROM DEFERRED)	23,571	0	23,571	0
INSURANCE PROCEEDS	0	3,715	3,715	0
TOTAL REVENUES	1,187,723	128,567	1,316,290	1,291,291
EXPENDITURES				
ADMINISTRATION	100,735	0	100,735	176,209
MAINTENANCE & REPAIRS - GENERAL	57,840	0	57,840	58,049
INSURANCE	25,326	0	25,326	19,760
GROUNDS, LANDSCAPE & IRRIGATION	408,253	0	408,253	417,537
LAKE & FOUNTAIN	33,331	0	33,331	35,551
CLUBHOUSE OPERATING	47,758	0	47,758	41,599
UTILITIES	337,211	0	337,211	320,974
HOA IMPROVEMENTS	82,933	0	82,933	1,520
CONTINGENCY	812	0	812	1,108
DEPRECIATION EXPENSE	2,112	0	2,112	1,275
INCOME TAX EXPENSE	585	0	585	1,273
MAJOR REPAIRS & REPLACEMENTS	0	44,626	44,626	21,559
TOTAL EXPENDITURES	1,096,896	44,626	1,141,522	1,096,414
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	90,827	83,941	174,768	194,877
FUND BALANCES, BEGINNING OF YEAR	277,739	301,576	579,315	384,438
TRANSFERS	(75,880)	75,880	0	0
FUND BALANCES, END OF YEAR	\$ 292,686	\$ 461,397	\$ 754,083	\$ 579,315

Read the Accompanying Notes to Financial Statements.

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Statement of Cash Flows

For Year Ended December 31, 2009

	2009			2008
INCREASE(DECREASE) IN CASH	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 1,131,860	\$ 118,432	\$ 1,250,292	\$ 1,154,942
Contributed Capital	0	0	0	4,500
Interest Income	234	6,420	6,654	8,110
Other Receipts	35,799	3,715	39,514	29,517
Cash Payments to Vendors and Suppliers	(1,086,211)	(44,626)	(1,130,837)	(961,863)
NET CASH PROVIDED BY OPERATING ACTIVITIES	81,682	83,941	165,623	235,206
CASH FLOW FROM INVESTING ACTIVITIES:				
Change in Interfund Borrowing	0	0	0	0
Purchase of Fixed Assets	0	0	0	0
Transfer of Funds	(75,880)	75,880	0	0
NET CASH USED BY INVESTING ACTIVITIES	(75,880)	75,880	0	0
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	5,802	159,821	165,623	235,206
CASH AT BEGINNING OF YEAR	292,142	301,576	593,718	358,512
CASH AT END OF YEAR	\$ 297,944	\$ 461,397	\$ 759,341	\$ 593,718
 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	\$ 90,827	\$ 83,941	\$ 174,768	\$ 194,877
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
Depreciation				
Depreciation	2,112	0	2,112	1,275
(Increase) Decrease in:				
Assessments Receivable	(27,284)	0	(27,284)	(57,821)
Other Receivables	1,050	0	1,050	45
Allowance for Doubtful Accounts	(2,249)	0	(2,249)	84,888
Prepaid Insurance	1,564	0	1,564	9,861
Other Prepaid Expenses	698	0	698	34,470
Deposits	0	0	0	0
Increase (Decrease) in:				
Accounts Payable	10,815	0	10,815	(599)
Payroll Taxes Payable	(1,789)	0	(1,789)	(1,560)
Income Taxes Payable	(663)	0	(663)	423
Assessments Received in Advance	30,172	0	30,172	(30,653)
HOA Deferred Improvements	(23,571)	0	(23,571)	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 81,682	\$ 83,941	\$ 165,623	\$ 235,206

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 consists of 698 residential units. 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 2009 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.

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, 2009, 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.

Cash Flows:

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

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

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 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>Current Year</u>				<u>Ending</u>
	<u>Balance</u>	<u>Funding</u>	<u>Interest</u>	<u>Expended</u>	<u>Insurance</u>	<u>Transfers</u>	<u>Balance</u>
Common Facilities	61,596	33,471	6,420	(20,794)	0	0	80,693
Clubhouse/Office/Gym							
Pool & Spa							
Gatehouse							
Tennis Court							
Tot Lot							
Roadways/Walks/Curbs	160,968	66,507	0	0	0	0	227,475
Storm/Emergency	19,552	1,667	0	(666)	3,715	0	24,268
Drain/Irrigation/Landscaping	59,460	16,787	0	(7,286)	0	0	68,961
Developer and Engineering Issues	0	0	0	(15,880)	0	75,880	60,000
Totals	<u>301,576</u>	<u>118,432</u>	<u>6,420</u>	<u>(44,626)</u>	<u>3,715</u>	<u>75,880</u>	<u>461,397</u>

NOTE 4 – DEVELOPER TURNOVER

Turnover from the developer occurred on March 11, 2005. As of December 31, 2009, financial and other issues related to the turnover were not yet resolved.

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5- ALLOWANCE FOR DOUBTFUL ACCOUNTS

Due to current real estate market conditions, the association has established an allowance for doubtful accounts and has a cumulative allowance for doubtful accounts of \$128,602 as of December 31,2009.

NOTE 6 - HOA IMPROVEMENT PROJECT

During the year ending December 31,2009, \$136,184 of unit owner assessments that had previously been recorded as part of the operating fund net income were reclassified to the HOA Improvement project. For the year ended December 31,2009 \$ 23,571 of this amount was recognized as current year income and \$112,613 was deferred. Also, for the year ended December 31,2009, \$82,933 was expended for the HOA Improvement project.

SUPPLEMENTARY

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Comparison of Actual vs. Budget-Operating

For Year Ended December 31, 2009

	2008		2009		% Variance
	Actual		Actual	Budget	
REVENUES					
Assessments	1,139,326		1,128,972	1,128,972	0.0%
Contributions - Initial Capital	9,120		0	0	0.0%
Late Fee and Fine Income	9,813		10,058	0	0.0%
Interest Income	1,128		234	0	0.0%
Homeowner Publications Revenue	2,305		2,840	0	0.0%
Application & Sales Fees	6,560		9,670	0	0.0%
Gate Openers	4,840		4,360	0	0.0%
Miscellaneous Income	5,999		8,018	9,996	-19.8%
HOA Improvements (From Deferred)	0		23,571	0	0.0%
TOTAL REVENUES	1,179,091		1,187,723	1,138,968	4.3%
EXPENSES					
Administrative Salaries	32,440		37,108	33,000	-12.4%
Accounting	7,460		5,936	12,000	50.5%
Legal	24,065		30,076	30,000	-0.3%
Professional Fees-Other	2,166		3,291	4,300	23.5%
Office Supplies	9,964		8,489	5,800	-46.4%
Postage and Delivery	3,691		5,571	5,000	-11.4%
Taxes - Payroll	5,762		7,816	8,400	7.0%
Taxes - Local County	1,984		1,994	2,000	0.3%
Homeowner Publication Expense	1,211		59	1,200	95.1%
Misc. Administrative	143		334	500	33.2%
Government Fees	131		61	300	0.0%
Allowance-Uncollectable A/R	87,192		0	87,318	100.0%
Total · ADMINISTRATION	176,209		100,735	189,818	46.9%
Maintenance & Repairs- General					
Gatehouse	7,439		6,170	8,500	27.4%
Street Maintenance	221		212	2,000	89.4%
Tennis Courts & Playground	11		1,709	2,000	14.6%
Repairs & Maintenance	4,940		5,064	5,000	-1.3%
Maintenance Wages	45,438		44,685	46,000	2.9%
Total · Maintenance & Repairs	58,049		57,840	63,500	8.9%
Insurance					
Umbrella	780		780	780	0.0%
Directors & Officers	2,856		2,856	2,856	0.0%
Liability Insurance	4,709		7,560	7,560	0.0%
Rec Center	8,220		8,220	8,220	0.0%
Maintenance Building	0		2,306	2,306	0.0%
Workers Compensation Insurance	3,195		3,604	3,600	-0.1%
Total · Insurance	19,760		25,326	25,322	0.0%

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, 2009

	2008		2009		% Variance
	Actual		Actual	Budget	
EXPENSES: (continued)					
Grounds, Landscape & Irrigation					
Landscape Maintenance Contract	373,934		363,065	364,740	0.5%
Irrigation Repair	8,439		10,125	5,400	-87.5%
Landscape Replacement	3,074		3,496	2,500	-39.8%
Landscape & Grounds	32,090		31,567	31,750	0.6%
Total · Grounds Landscape & Irrigation	<u>417,537</u>		<u>408,253</u>	<u>404,390</u>	-1.0%
Lake & Fountain					
Lake Maintenance Contract	20,400		20,400	20,400	0.0%
Lake Repairs & Maintenance	0		210	2,000	0.0%
Fountain Maintenance Contract	1,489		721	2,000	64.0%
Wetland Monitoring	13,662		12,000	12,000	0.0%
Total · Lake & Fountain	<u>35,551</u>		<u>33,331</u>	<u>36,400</u>	8.4%
Clubhouse Operating					
Clubhouse Cleaning	8,816		8,065	10,000	19.4%
Repairs & Maintenance	2,995		1,797	3,300	45.5%
Pool Operations and Repairs	13,370		11,152	16,400	32.0%
Clubhouse & Pool Monitor	0		6,706	0	0.0%
Trash	2,855		2,699	3,000	10.0%
Water and Sewer	3,377		3,392	3,828	11.4%
Gym Equipment Repairs & Maint.	1,019		1,000	300	-233.3%
Treadmill Lease	2,203		2,203	2,200	-0.1%
Clubhouse Operating	6,554		9,744	6,000	-62.4%
Pest Control	410		1,000	500	-100.0%
Total · Clubhouse Operating	<u>41,599</u>		<u>47,758</u>	<u>45,528</u>	-4.9%
Utilities					
Electric - General	18,524		18,182	21,218	14.3%
Electric - Clubhouse	18,114		17,471	18,115	3.6%
Electric - Street Lights	25,762		23,858	29,290	18.5%
Cable Television	253,420		271,740	277,754	2.2%
Telephone	5,154		5,960	5,460	-9.2%
Total · Utilities	<u>320,974</u>		<u>337,211</u>	<u>351,837</u>	4.2%
HOA Improvements	<u>1,520</u>		<u>82,933</u>	<u>0</u>	0.0%
Contingency Expense	<u>1,108</u>		<u>812</u>	<u>22,173</u>	0.0%
Depreciation Expense	<u>1,275</u>		<u>2,112</u>	<u>0</u>	0.0%
Income Taxes	<u>1,273</u>		<u>585</u>	<u>0</u>	0.0%
TOTAL EXPENSES	<u>1,074,855</u>		<u>1,096,896</u>	<u>1,138,968</u>	3.7%
NET SURPLUS / (DEFICIT)	<u>104,236</u>		<u>90,827</u>	<u>0</u>	

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, 2009

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 2009 based on the Board of Directors estimates.

<u>Component</u>	<u>Estimated Useful Life</u>		<u>Requirements</u>		<u>Actual 2010 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>2010 Funding Requirement</u>		
	Common Facilities	5 - 15	1 - 15	181,200		
Clubhouse/Office/Gym						
Pool & Spa						
Gatehouse						
Tennis Court						
Tot Lot						
Roads/Walks/Curbs	10-12	4 - 5	557,077	63,898	63,898	227,475
Storm/Emergency	1	0	30,000	3,333	3,333	24,268
Drain/Irrigation/Landscaping	3 - 10	2 - 3	122,725	17,818	17,818	68,961
Developer and Engineering Issues	-	-	-	0	0	60,000
Total			\$ 891,002	\$ 118,432	\$ 118,432	\$ 461,397