

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

PORT ST. LUCIE, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For Year Ended December 31, 2010

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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, 2010, 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, 2010 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 25, 2011

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2010

	2010			2009
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
CASH, INCLUDING INTEREST BEARING ACCOUNTS	\$ 287,925	\$ 582,214	\$ 870,139	\$ 759,341
ASSESSMENTS RECEIVABLE	212,172	0	212,172	180,201
Less: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(123,483)	0	(123,483)	(128,602)
NET: ASSESSMENTS RECEIVABLE	88,689	0	88,689	51,599
OTHER RECEIVABLES	250	0	250	315
PREPAID INSURANCE	12,296	0	12,296	14,073
DEPOSITS	2,600	0	2,600	2,600
TOTAL ASSETS	\$ 391,760	\$ 582,214	\$ 973,974	\$ 827,928
LIABILITIES AND FUND BALANCES				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 4,572	\$ 0	\$ 4,572	11,459
ASSESSMENTS PAID IN ADVANCE	43,174	0	43,174	84,840
PAYROLL TAXES PAYABLE	1,969	0	1,969	532
RENTAL SECURITY DEPOSITS	2,675	0	2,675	0
INCOME TAXES PAYABLE	0	0	0	585
HOA DEFERRED IMPROVEMENTS	98,014	0	98,014	112,613
TOTAL LIABILITIES	150,404	0	150,404	210,029
FUND BALANCES	241,356	582,214	823,570	617,899
TOTAL LIABILITIES AND FUND BALANCES	\$ 391,760	\$ 582,214	\$ 973,974	\$ 827,928

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, 2010

	2010			2009
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<u>REVENUES</u>				
ASSESSMENTS	\$ 1,128,968	\$ 118,432	\$ 1,247,400	\$ 1,247,404
INTEREST INCOME	314	3,772	4,086	6,654
LATE FEES AND FINE INCOME	10,678	0	10,678	10,058
HOMEOWNER PUBLICATIONS	3,915	0	3,915	2,840
APPLICATION & SALES FEES	7,745	0	7,745	9,670
GATE OPENERS	4,645	0	4,645	4,360
MISCELLANEOUS INCOME	7,454	0	7,454	8,018
RENTAL INCOME ON ASSOC. MANAGED UNITS	9,618	0	9,618	0
HOA IMPROVEMENTS (FROM DEFERRED)	14,598	0	14,598	23,571
INSURANCE PROCEEDS	0	0	0	3,715
TOTAL REVENUES	1,187,935	122,205	1,310,140	1,316,290
<u>EXPENDITURES</u>				
ADMINISTRATION	136,465	0	136,465	100,735
MAINTENANCE & REPAIRS - GENERAL	55,915	0	55,915	57,840
INSURANCE	17,148	0	17,148	25,326
GROUNDS, LANDSCAPE & IRRIGATION	376,033	0	376,033	408,253
LAKE & FOUNTAIN	29,412	0	29,412	33,331
CLUBHOUSE OPERATING	44,402	0	44,402	47,758
UTILITIES	352,560	0	352,560	337,211
HOA IMPROVEMENTS	14,455	0	14,455	82,933
CONTINGENCY	4,449	0	4,449	812
HOA MANAGED PROPERTIES	12,242	0	12,242	2,112
INCOME TAX EXPENSE	0	0	0	585
MAJOR REPAIRS & REPLACEMENTS	0	61,388	61,388	44,626
TOTAL EXPENDITURES	1,043,081	61,388	1,104,469	1,141,522
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	144,854	60,817	205,671	174,768
FUND BALANCES, BEGINNING OF YEAR	156,502	461,397	617,899	443,131
TRANSFERS	(60,000)	60,000	0	0
FUND BALANCES, END OF YEAR	\$ 241,356	\$ 582,214	\$ 823,570	\$ 617,899

Read the Accompanying Notes to Financial Statements.

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Statement of Cash Flows

For Year Ended December 31, 2010

	2010			2009
INCREASE(DECREASE) IN CASH	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 1,055,331	\$ 118,432	\$ 1,173,763	\$ 1,250,292
Interest Income	314	3,772	4,086	6,654
Other Receipts	43,052	0	43,052	39,514
Cash Payments to Vendors and Suppliers	(1,048,716)	(61,388)	(1,110,104)	(1,130,837)
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,981	60,817	110,798	165,623
CASH FLOW FROM INVESTING ACTIVITIES:				
Change in Interfund Borrowing	0	0	0	0
Transfer of Funds	(60,000)	60,000	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(60,000)	60,000	0	0
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	(10,019)	120,817	110,798	165,623
CASH AT BEGINNING OF YEAR	297,944	461,397	759,341	593,718
CASH AT END OF YEAR	\$ 287,925	\$ 582,214	\$ 870,139	\$ 759,341
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	\$ 144,854	\$ 60,817	\$ 205,671	\$ 174,768
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
Depreciation				
Depreciation	0	0	0	2,112
(Increase) Decrease in:				
Assessments Receivable	(31,971)	0	(31,971)	(27,284)
Other Receivables	65	0	65	1,050
Allowance for Doubtful Accounts	(5,119)	0	(5,119)	(2,249)
Prepaid Insurance	1,777	0	1,777	1,564
Other Prepaid Expenses	0	0	0	698
Increase (Decrease) in:				
Accounts Payable	(6,888)	0	(6,888)	10,815
Payroll Taxes Payable	1,437	0	1,437	(1,789)
Rental Security Deposits	2,675	0	2,675	0
Income Taxes Payable	(585)	0	(585)	(663)
Assessments Received in Advance	(41,666)	0	(41,666)	30,172
HOA Deferred Improvements	(14,598)	0	(14,598)	(23,571)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 49,981	\$ 60,817	\$ 110,798	\$ 165,623

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 2010 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, maintenance building, 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, 2010, 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>Transfers</u>	<u>Balance</u>
Common Facilities	80,693	33,383	791	(36,766)	10,000	88,101
Clubhouse/Office/Gym						
Pool & Spa						
Gatehouse						
Tennis Court						
Tot Lot						
Maintenance Building						
Roadways/Walks/Curbs	227,475	63,898	1,768	0	0	293,141
Storm/Emergency	24,269	3,334	167	0	0	27,770
Drain/Irrigation/Landscaping	68,961	17,818	527	0	0	87,306
Developer and Engineering Issues	60,000	0	518	(24,622)	50,000	85,896
Totals	<u>461,398</u>	<u>118,432</u>	<u>3,772</u>	<u>(61,388)</u>	<u>60,000</u>	<u>582,214</u>

NOTE 4 – DEVELOPER TURNOVER

Turnover from the developer occurred on March 11, 2005. As of December 31, 2010, 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 has a cumulative allowance for doubtful accounts of \$123,483 as of December 31, 2010.

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

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 31,2010 \$ 14,598.23 of this amount was recognized as current year income and \$98,014.41 was deferred. Also, for the year ended December 31,2010, \$14,455 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, 2010

	<u>2009</u>	<u>2010</u>		%
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
<u>REVENUES</u>				
Assessments	1,128,972	1,128,968	1,128,968	0.0%
Late Fee and Fine Income	10,058	10,678	0	0.0%
Interest Income	234	314	0	0.0%
Homeowner Publications Revenue	2,840	3,915	0	0.0%
Application & Sales Fees	9,670	7,745	0	0.0%
Gate Openers	4,360	4,645	0	0.0%
Miscellaneous Income	8,018	7,454	20,000	-62.7%
Rental Income on Assoc. Managed Units	0	9,618	0	0.0%
HOA Improvements (From Deferred)	23,571	14,598	0	0.0%
TOTAL REVENUES	1,187,723	1,187,935	1,148,968	3.4%
<u>EXPENSES</u>				
Administrative Salaries	37,108	37,731	39,500	4.5%
Accounting	5,936	6,835	5,500	-24.3%
Legal	30,076	47,290	65,000	27.2%
Professional Fees-Other	3,291	2,018	5,000	59.6%
Office Supplies	8,489	4,622	3,500	-32.1%
Copy Machine Lease	0	4,032	2,000	-101.6%
Postage and Delivery	5,571	1,620	3,000	46.0%
Election Expenses	0	1,516	2,000	24.2%
Taxes - Payroll	7,816	10,670	8,000	-33.4%
Taxes - Local County	1,994	2,196	2,000	-9.8%
Homeowner Publication Expense	59	2,051	1,000	-105.1%
Misc. Administrative	334	603	600	-0.5%
Government Fees	61	61	300	0.0%
Allowance-Uncollectible A/R	0	15,220	10,000	-52.2%
Total - ADMINISTRATION	100,735	136,465	147,400	7.4%
Maintenance & Repairs- General				
Gatehouse	6,170	3,061	6,500	52.9%
Street Maintenance	212	0	2,000	100.0%
Tennis Courts & Playground	1,709	0	2,000	100.0%
Repairs & Maintenance	5,064	2,721	2,500	-8.8%
Casual Labor	0	576	5,000	88.5%
Maintenance Wages	44,685	49,557	46,000	-7.7%
Total - Maintenance & Repairs	57,840	55,915	64,000	12.6%
Insurance				
Umbrella	780	772	858	10.0%
Directors & Officers	2,856	3,210	3,142	-2.2%
Liability Insurance	7,560	5,013	8,316	39.7%
Rec Center	8,220	6,310	9,042	30.2%
Maintenance Building	2,306	0	500	100.0%
Workers Compensation Insurance	3,604	1,843	4,500	59.0%
Insurance - Other	0	0	2,537	100.0%
Total - Insurance	25,326	17,148	28,895	40.7%

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, 2010

	2009	2010		%
	Actual	Actual	Budget	
<u>EXPENSES: (continued)</u>				
Grounds, Landscape & Irrigation				
Landscape Maintenance Contract	363,065	312,473	392,219	20.3%
Irrigation Repair	10,125	5,699	8,500	33.0%
Landscape Replacement	3,496	666	3,000	77.8%
Weed Insect & Fertilization Svc	0	29,964	0	0.0%
Tree Trimming	0	13,070	0	0.0%
Lndscp&Grnds Maint Clbhs&Cmmn	31,567	14,161	32,000	55.7%
Total · Grounds Landscape & Irrigation	408,253	376,033	435,719	13.7%
Lake & Fountain				
Lake Maintenance Contract	20,400	18,350	20,400	10.0%
Lake Repairs & Maintenance	210	0	1,000	0.0%
Fountain Maintenance Contract	721	62	1,000	93.8%
Wetland Monitoring	12,000	11,000	12,000	8.3%
Total · Lake & Fountain	33,331	29,412	34,400	14.5%
Clubhouse Operating				
Clubhouse Cleaning	8,065	4,176	8,227	49.2%
Repairs & Maintenance	1,797	812	2,000	59.4%
Pool Operations and Repairs	11,152	5,400	7,620	29.1%
Pool Repairs	0	4,416	6,000	26.4%
Clubhouse & Pool Monitor	6,706	10,428	10,000	0.0%
Trash	2,699	3,037	3,200	5.1%
Water and Sewer	3,392	4,552	4,000	-13.8%
Gym Equipment Repairs & Maint.	1,000	470	1,000	53.0%
Treadmill Lease	2,203	0	0	0.0%
Clubhouse Operating	9,744	9,648	9,000	-7.2%
Pest Control	1,000	1,463	1,000	-46.3%
Total · Clubhouse Operating	47,758	44,402	52,047	14.7%
Utilities				
Electric - General	18,182	15,873	19,514	18.7%
Electric - Clubhouse	17,471	13,692	18,000	23.9%
Electric - Maintenance Building	0	497	1,800	72.4%
Electric - Street Lights	23,858	25,735	25,639	-0.4%
Cable Television - Clubhouse	0	692	720	3.9%
Cable Television	271,740	290,496	288,234	-0.8%
Telephone	5,960	5,575	5,000	-11.5%
Total · Utilities	337,211	352,560	358,907	1.8%
HOA Improvements	82,933	14,455	0	0.0%
Contingency Expense	812	4,449	27,600	0.0%
Depreciation Expense	2,112	0	0	0.0%
HOA Managed Properties	0	12,242	0	0.0%
Income Taxes	585	0	0	0.0%
TOTAL EXPENSES	1,096,896	1,043,081	1,148,968	9.2%
NET SURPLUS / (DEFICIT)	90,827	144,854	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, 2010

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 2010 based on the Board of Directors estimates.

Component	Estimated Useful Life		Requirements		Actual 2011 Funding	Replacement Fund Balance At 12/31/2010
	Original Life	Remaining Life	Estimated Current Replacement Cost	2011 Funding Requirement		
Common Facilities	5 - 15	1 - 14	181,200	18,470	18,470	88,101
Clubhouse/Office/Gym						
Pool & Spa						
Gatehouse						
Tennis Court						
Tot Lot						
Roads/Walks/Curbs	10-12	4 - 4	557,077	61,443	61,443	293,138
Storm/Emergency	1	0	30,000	5,820	5,820	27,770
Drain/Irrigation/Landscaping	3 - 10	2 - 2	122,725	18,303	18,303	87,307
Developer and Engineering Issues	-	-	-	18,000	18,000	85,896
Total			\$ 891,002	\$ 122,036	\$ 122,036	\$ 582,214