

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

PORT ST. LUCIE, FLORIDA

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For Year Ended December 31, 2011

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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, 2011, 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, 2011 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 27, 2012

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2011

	2011			2010
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS				
CASH, INCLUDING INTEREST BEARING ACCOUNTS	\$ 403,155	\$ 673,679	\$ 1,076,834	\$ 870,139
ASSESSMENTS RECEIVABLE	211,859	0	211,859	212,172
Less: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(117,332)	0	(117,332)	(123,483)
NET: ASSESSMENTS RECEIVABLE	94,527	0	94,527	88,689
OTHER RECEIVABLES	2,725	0	2,725	250
PREPAID INSURANCE	16,812	0	16,812	12,296
DEPOSITS	2,600	0	2,600	2,600
TOTAL ASSETS	\$ 519,819	\$ 673,679	\$ 1,193,498	\$ 973,974
LIABILITIES AND FUND BALANCES				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 7,488	\$ 0	\$ 7,488	4,572
ASSESSMENTS PAID IN ADVANCE	62,777	0	62,777	43,174
PAYROLL TAXES PAYABLE	2,052	0	2,052	1,969
RENTAL SECURITY DEPOSITS	2,675	0	2,675	2,675
INCOME TAXES PAYABLE	1,453	0	1,453	0
HOA DEFERRED IMPROVEMENTS	164,421	0	164,421	98,014
TOTAL LIABILITIES	240,866	0	240,866	150,404
FUND BALANCES	278,953	673,679	952,632	823,570
TOTAL LIABILITIES AND FUND BALANCES	\$ 519,819	\$ 673,679	\$ 1,193,498	\$ 973,974

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, 2011

	2011			2010
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
ASSESSMENTS	\$ 1,125,360	\$ 123,603	\$ 1,248,963	\$ 1,247,400
LATE FEE AND FINE INCOME	6,706	0	6,706	10,678
INTEREST INCOME	352	2,297	2,649	4,086
HOMEOWNER PUBLICATIONS REVENUE	6,420	0	6,420	3,915
APPLICATION & SALES FEES	6,600	0	6,600	7,745
GATE OPENERS	3,394	0	3,394	4,645
MISCELLANEOUS INCOME	5,217	0	5,217	7,454
RENTAL INCOME ON ASSOC. MANAGED UNITS	20,258	0	20,258	9,618
HOA IMPROVEMENTS (FROM DEFERRED)	8,317	0	8,317	14,598
DEVELOPER SETTLEMENT	0	60,000	60,000	0
TOTAL REVENUES	1,182,624	185,900	1,368,524	1,310,140
EXPENDITURES				
ADMINISTRATION	113,621	0	113,621	136,465
MAINTENANCE & REPAIRS - GENERAL	79,559	0	79,559	55,915
INSURANCE	17,062	0	17,062	17,148
GROUNDS, LANDSCAPE & IRRIGATION	376,695	0	376,695	376,033
LAKE & FOUNTAIN	24,609	0	24,609	29,412
CLUBHOUSE OPERATING	42,432	0	42,432	44,402
UTILITIES	363,858	0	363,858	352,560
HOA IMPROVEMENTS	19,592	0	19,592	14,455
CONTINGENCY	7,526	0	7,526	4,449
HOA MANAGED PROPERTIES	13,896	0	13,896	12,242
INCOME TAX EXPENSE	1,453	0	1,453	0
HOA IMPROVEMENTS DEFERRED	24,724	0	24,724	0
MAJOR REPAIRS & REPLACEMENTS	0	104,434	104,434	104,434
TOTAL EXPENDITURES	1,085,027	104,434	1,189,461	1,147,515
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	97,597	81,466	179,063	162,625
FUND BALANCES, BEGINNING OF YEAR	241,356	582,213	823,569	617,899
TRANSFERS TO RESERVES	(10,000)	10,000	0	0
TRANSFER TO DEFERRED HOA IMPROVEMENT	(50,000)	0	(50,000)	0
FUND BALANCES, END OF YEAR	\$ 278,953	\$ 673,679	\$ 952,632	\$ 780,524

Read the Accompanying Notes to Financial Statements.

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.

Statement of Cash Flows

For Year Ended December 31, 2011

INCREASE(DECREASE) IN CASH	2011			2010
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash Receipts From Assessments	\$ 1,145,276	\$ 123,603	\$ 1,268,879	\$ 1,173,763
Interest Income	352	2,297	2,649	4,086
Other Receipts	46,120	0	46,120	43,052
Developer Settlement	0	60,000	60,000	0
Cash Payments to Vendors and Suppliers	(1,066,518)	(104,434)	(1,170,952)	(1,110,104)
NET CASH PROVIDED BY OPERATING ACTIVITIES	125,230	81,466	206,696	110,798
CASH FLOW FROM INVESTING ACTIVITIES:				
Transfer of Funds	(10,000)	10,000	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(10,000)	10,000	0	0
NET INCREASE (DECREASE) IN CASH FOR CURRENT YEAR	115,230	91,466	206,696	110,798
CASH AT BEGINNING OF YEAR	287,925	582,214	870,139	759,341
CASH AT END OF YEAR	\$ 403,155	\$ 673,679	\$ 1,076,834	\$ 870,139

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	\$ 97,597	\$ 81,466	\$ 179,063	\$ 205,671
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments Receivable	313	0	313	(31,971)
Other Receivables	(2,475)	0	(2,475)	65
Allowance for Doubtful Accounts	(6,151)	0	(6,151)	(5,119)
Prepaid Insurance	(4,516)	0	(4,516)	1,777
Increase (Decrease) in:				
Accounts Payable	2,916	0	2,916	(6,888)
Payroll Taxes Payable	83	0	83	1,437
Rental Security Deposits	0	0	0	2,675
Income Taxes Payable	1,453	0	1,453	(585)
Assessments Received in Advance	19,603	0	19,603	(41,666)
HOA Deferred Improvements	16,407	0	16,407	(14,598)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 125,230	\$ 81,466	\$ 206,696	\$ 110,798

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.

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, two gazebos, a bocce ball court, 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.

ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Flows:

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

Cash and Cash Equivalents:

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

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 2011 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.

Interest Earned:

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

Income Taxes:

Homeowner Associations may elect to be taxed either as regular corporations or as homeowners Association. For the year ended December 31, 2011, 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.

In June 2006, the Financial Accounting Standards Board prescribed a comprehensive model for how a company should measure, recognize, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The opinion was amended in 2009 to more accurately reflect the applicability to Not-For-Profit entities such as Associations. The Association has adopted this pronouncement as amended as of January 1, 2009.

Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2009, 2010, and 2011 returns. However, the Association is not currently under audit and has not been contacted that a possible audit may be initiated.

**ST JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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>	Beginning		Current Year				Ending
	<u>Balance</u>	<u>Funding</u>	<u>Interest</u>	<u>Expended</u>	<u>Developer Settlement</u>	<u>Transfers</u>	<u>Balance</u>
Common Facilities	88,101	18,471	267	(38,492)	0	10,000	78,347
Clubhouse/Office/Gym							
Pool & Spa							
Gatehouse							
Tennis Court							
Tot Lot							
Maintenance Building							
Roadways/Walks/Curbs	293,141	61,443	1,199	(4,145)	0	0	351,638
Storm/Emergency	27,770	5,820	115	0	0	0	33,705
Drain/Irrigation/Landscaping	87,306	18,303	349	(3,680)	0	0	102,278
Developer and Engineering Issues	85,896	19,566	367	(58,117)	60,000	0	107,712
Totals	582,213	123,603	2,297	(104,434)	60,000	10,000	673,679

**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, 2011, financial and other issues related to the turnover were resolved. The developer settled with the Association for \$60,000, which was placed in the Developer and Engineering Issues reserve.

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 \$117,332 as of December 31, 2011.

NOTE 6 - HOA IMPROVEMENT PROJECT

During the year ending December 31, 2010, \$98,014 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, 2011 \$ 16,407 of this amount was recognized as current year income, \$50,000 of excess operating funds were also reclassified to the Improvement project and \$164,422 was deferred. Also, for the year ended December 31, 2011, \$19,592 was expended for the HOA Improvement project.

	<u>HOA Improvement Operating</u>				
	<u>Expense Activity</u>				
	Current Year				
	<u>Beginning</u>	<u>Funding From</u>	<u>Funding TO</u>		<u>Ending</u>
	<u>Balance</u>	<u>Excess Expense</u>	<u>HOA</u>	<u>Transfers</u>	<u>Balance</u>
		<u>Funds</u>	<u>Improvement</u>		
			<u>Expense</u>		
<u>HOA Improvement Operating</u>	-	24,724	(8,317)	-	16,407
<u>Expense Activity</u>					
<u>From Operating Expense</u>	-	-	-	50,000	50,000
<u>Total Deferred HOA</u>	98,014	24,724	(8,317)	50,000	164,421
<u>Improvements</u>					

SUPPLEMENTARY

ST. JAMES GOLF CLUB HOMEOWNERS ASSOCIATION, INC.
Comparison of Actual vs. Budget-Operating
For Year Ended December 31, 2011

	2010		2011	
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>
<u>REVENUES</u>				
Assessments	1,128,968	1,125,360	1,125,364	0.0%
Late Fee and Fine Income	10,678	6,706	0	0.0%
Interest Income	314	352	0	0.0%
Homeowner Publications Revenue	3,915	6,420	0	0.0%
Application & Sales Fees	7,745	6,600	0	0.0%
Gate Openers	4,645	3,394	0	0.0%
Miscellaneous Income	7,454	5,217	20,000	-73.9%
Rental Income on Assoc. Managed Units	9,618	20,258	0	0.0%
HOA Improvements (From Deferred)	14,598	8,317	0	0.0%
TOTAL REVENUES	1,187,935	1,182,624	1,145,364	3.3%
<u>EXPENSES</u>				
Administrative Salaries	37,731	39,469	39,500	0.1%
Accounting	6,835	6,311	6,500	2.9%
Legal	47,290	23,968	65,000	63.1%
Professional Fees-Other	2,018	3,166	6,000	47.2%
Office Supplies	4,622	4,340	3,500	-24.0%
Copy Machine Lease	4,032	2,696	2,498	-7.9%
Copier Meter Charges	0	1,352	1,800	24.9%
Bank Service Charges	0	14	100	86.0%
Postage and Delivery	1,620	1,357	3,000	54.8%
Election Expenses	1,516	1,840	2,000	8.0%
Taxes - Payroll	10,670	10,408	13,000	19.9%
Taxes - Local County	2,196	1,984	2,000	0.8%
Homeowner Publication Expense	2,051	3,118	2,500	-24.7%
Misc. Administrative	603	257	1,500	82.9%
Government Fees	61	61	300	0.0%
Allowance-Uncollectible A/R	15,220	13,280	12,000	-10.7%
Total · ADMINISTRATION	136,465	113,621	161,198	29.5%
Maintenance & Repairs- General				
Gatehouse	3,061	3,613	4,500	19.7%
Street Maintenance	0	0	2,000	100.0%
Tennis Courts & Playground	0	0	2,000	100.0%
Repairs & Maintenance	2,721	14,403	5,000	-188.1%
Casual Labor	576	5,460	5,000	-9.2%
Maintenance Wages	49,557	56,083	55,125	-1.7%
Total · Maintenance & Repairs	55,915	79,559	73,625	-8.1%
Insurance				
Umbrella	772	0	0	0.0%
Directors & Officers	3,210	0	0	0.0%
Liability Insurance	5,013	0	0	0.0%
Rec Center	6,310	0	0	0.0%
Workers Compensation Insurance	1,843	0	0	0.0%
Insurance - Bundled	0	17,062	17,000	-0.4%
Total · Insurance	17,148	17,062	17,000	-0.4%

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, 2011

	2010		2011	
	Actual	Actual	Budget	% Variance
EXPENSES: (continued)				
Grounds, Landscape & Irrigation				
Landscape Maintenance Contract	312,473	286,788	286,788	0.0%
Irrigation Repair	5,699	13,551	8,500	-59.4%
Landscape Replacement	666	477	3,000	84.1%
Weed Insect & Fertilization Service	29,964	59,928	63,823	6.1%
Tree Trimming	13,070	15,951	15,000	-6.3%
Landscape & Grounds Maintenance	14,161	0	4,000	100.0%
Total · Grounds Landscape & Irrigation	376,033	376,695	381,111	1.2%
Lake & Fountain				
Lake Maintenance Contract	18,350	17,940	18,924	5.2%
Lake Repairs & Maintenance	0	0	1,000	0.0%
Fountain Maintenance Contract	62	669	1,000	33.1%
Wetland Monitoring	11,000	6,000	12,000	50.0%
Total · Lake & Fountain	29,412	24,609	32,924	25.3%
Clubhouse Operating				
Clubhouse Cleaning	4,176	695	0	0.0%
Repairs & Maintenance	812	5,131	1,000	-413.1%
Clubhouse Supplies (Cleaning etc.)	0	734	0	0.0%
Pool Operations and Repairs	5,400	5,160	5,400	4.4%
Pool Repairs	4,416	1,927	5,000	61.5%
Clubhouse & Pool Monitor	10,428	8,527	10,000	0.0%
Trash	3,037	3,037	3,200	5.1%
Water and Sewer	4,552	3,592	5,000	28.2%
Gym Equipment Repairs & Maint.	470	1,788	1,000	-78.8%
Clubhouse Operating	9,648	10,382	9,000	-15.4%
Pest Control	1,463	1,459	1,500	2.7%
Total · Clubhouse Operating	44,402	42,432	41,100	-3.2%
Utilities				
Electric - General	15,873	10,861	18,000	39.7%
Electric - Clubhouse	13,692	15,848	15,500	-2.2%
Electric - Maintenance Building	497	652	1,000	34.8%
Electric - Street Lights	25,735	24,762	26,818	7.7%
Cable Television - Clubhouse	692	687	754	8.9%
Cable Television	290,496	305,114	316,565	3.6%
Telephone	5,575	5,934	6,000	1.1%
Total · Utilities	352,560	363,858	384,637	5.4%
HOA Improvements	14,455	19,592	36,000	0.0%
Contingency Expense	4,449	7,526	17,769	0.0%
HOA Managed Properties	12,242	13,896	0	0.0%
HOA Improvements Deferred	0	24,724	0	0.0%
Income Taxes	0	1,453	0	0.0%
TOTAL EXPENSES	1,043,081	1,085,027	1,145,364	5.3%
NET SURPLUS / (DEFICIT)	144,854	97,597	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, 2011

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 2011 based on the Board of Directors estimates.

<u>Component</u>	<u>Estimated Useful Life</u>		<u>Requirements</u>		<u>Actual 2012 Funding</u>	<u>Replacement Fund Balance At 12/31/2011</u>
	<u>Original Life</u>	<u>Remaining Life</u>	<u>Estimated Current Replacement Cost</u>	<u>2012 Funding Requirement</u>		
Common Facilities	5 - 15	1 - 13	265,030	42,713	18,470	78,347
Clubhouse/Office/Gym						
Pool & Spa						
Gatehouse						
Tennis Court						
Tot Lot						
Roads/Walks/Curbs	10-12	4 - 4	557,077	54,916	61,443	351,638
Storm/Emergency	1	0	30,000	0	5,820	33,705
Drain/Irrigation/Landscaping	3 - 10	2 - 2	122,725	24,407	18,303	102,278
Developer and Engineering Issues	-	-	-	0	18,000	107,712
Total			\$ 974,832	\$ 122,036	\$ 122,036	\$ 673,679