

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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INDEPENDENT AUDITORS REPORT

February 28, 2011

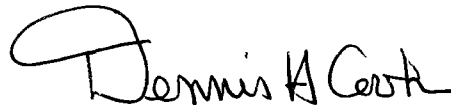
To The Board of Directors
St. Croix At Pelican Marsh Condominium Association
Naples, Florida

I have audited the accompanying balance sheet of St. Croix At Pelican Marsh Condominium Association, as of December 31, 2010 and the related statements of assessments, revenues and expenditures, changes in fund balances and statement of cash flows for the year ended December 31, 2010. These financial statements are the representation of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I performed my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require performance of auditing procedures to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Auditing procedures consist primarily of examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements. Those procedures also include an assessment of the accounting principles used and significant estimates made by management and an evaluation of the overall financial statement presentation. I believe that the results of my procedures provide a reasonable basis for my opinion presented below.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Croix at Pelican Marsh Condominium Association, at December 31, 2010, and the results of its operations and changes in cash flows for the period then ended, in conformity with generally accepted accounting principles in the United States of America.

The Supplementary Information on future major repairs and replacements and changes in the replacement fund located on page 11 is not a required part of the basic financial statements of St. Croix at Pelican Marsh Condominium Association, Inc., but is supplementary information required by the American Institute of Certified Public Accountants and the Florida Statutes. I have applied certain limited procedures to the supplementary information, which consisted principally 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.



Dennis H. Cook
Certified Public Accountant

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

BALANCE SHEET

DECEMBER 31, 2010

ASSETS

	<u>REQUIRED GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash in Bank-Operating	\$ 675,836	\$ 268,394	\$ 944,230
Accounts Receivable-Owner's (Less Allowance for Uncollectible)	37,049	-	37,049
Prepaid Insurance and expenses	84,079	-	84,079
Due From Reserves	6,790	-	6,790
Deposits	<u>6,800</u>	<u>-</u>	<u>6,800</u>
TOTAL ASSETS	<u>\$ 810,554</u>	<u>\$ 268,394</u>	<u>\$ 1,078,948</u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES</u>			
Accounts Payable-Trade & Insurance	\$ 33,150	\$ -	\$ 33,150
Accrued Wages	3,154	-	3,154
Prepaid Assessments	91,960	-	91,960
Due To Operating	<u>-</u>	<u>6,790</u>	<u>6,790</u>
TOTAL LIABILITIES	128,264	6,790	135,054
CONTINGENCIES AND COMMITMENTS (Note 2)			
<u>FUND BALANCE</u>	<u>682,290</u>	<u>261,604</u>	<u>943,894</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 810,554</u>	<u>\$ 268,394</u>	<u>\$ 1,078,948</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION
STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCES
JANUARY 1, 2009 TO DECEMBER 31, 2010

	<u>REQUIRED GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
ASSESSMENTS AND REVENUES:			
Maintenance Fees Assessed	\$ 1,144,934	\$ 138,106	\$ 1,283,040
Interest Income	737	1,136	1,873
Other Income-Utilities and Owner Fees	156,976	-	156,976
Misc. Income-Late Fees, Applications, Etc	<u>30,042</u>	<u>9,846</u>	<u>39,888</u>
TOTALS	<u>1,332,689</u>	<u>149,088</u>	<u>1,481,777</u>
EXPENDITURES:			
Bad Debts & Uncollected			
Assessment	115,697	-0-	115,697
Cable TV	86,455	-0-	86,455
Grounds, Lake, Fountain	94,887	-0-	94,887
Pool Maintenance & Repair	19,925	-0-	19,925
Insurance	265,416	-0-	265,416
Legal & Accounting	12,798	-0-	12,798
Management Fees	23,760	-0-	23,760
Office, Printing, Postage & Misc.	18,286	-0-	18,286
Pest Control	6,000	-0-	6,000
Repairs, Gates, Supplies & Painting	39,442	6,250	45,692
Salaries-Admin/Maintenance	77,250	-0-	77,250
Taxes, Licenses & Permits	13,713	-0-	13,713
Telephone	20,669	-0-	20,669
Utilities & Trash	195,031	-0-	195,031
Fire Equipment Maintenance	21,700	-0-	21,700
Security-Service	12,670	-0-	12,670
Interest Expense-Insurance	<u>3,140</u>	<u>-0-</u>	<u>3,140</u>
TOTALS	<u>1,026,839</u>	<u>6,250</u>	<u>1,033,089</u>
Excess of Expenditures Over Revenues	305,850	142,838	448,688
FUND BALANCES, OPENING-1-1-10	<u>376,440</u>	<u>118,766</u>	<u>495,206</u>
FUND BALANCES, ENDING-12-31-10	<u>\$ 682,290</u>	<u>\$ 261,604</u>	<u>\$ 943,894</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED DECEMBER 31, 2010

Cash Flows From Operational Activities:

Cash Received From Unit Owners	\$ 1,169,092
Other	196,864
Interest Income	1,873
Cash Paid to Vendors and Employees	(905,792)
Interest Paid	(<u>3,140</u>)
Net Cash Provided For Operating Activities	458,897

Cash Flows For Investing Activities: -0-

Cash Flows From Financing Activities: -0-

NET INCREASE IN CASH 458,897

CASH, BEGINNING OF YEAR 485,333

CASH, END OF YEAR \$ 944,230

RECONCILIATION OF NET REVENUE (EXPENDITURES) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net Income	\$ 448,688
Adjustments to Reconcile Net Expenditures:	
Depreciation	-
Accounts Receivable	(553)
Prepaid Expenses & Deposits	15,188
Accounts Payable	(7,022)
Accrued Expenses	294
Prepaid Assessments	<u>2,302</u>
Total Adjustments	<u>10,209</u>

NET CASH PROVIDED FOR OPERATING ACTIVITIES \$ 458,897

INCOME TAXES PAID 2010 \$-0-

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE A: NATURE OF ORGANIZATION

St. Croix at Pelican Marsh Condominium Association, Inc. (the "Association"), which is located in Naples, Florida was incorporated and commenced operations on April 15, 2005, under the laws of Florida as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapter 718, and the provisions of the Declaration of Condominium. The Association consists of 360 residential units and is situated on approximately 20 acres.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Fund Accounting

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 the general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for the future major repairs and replacements and disbursements from the fund generally may be made for designated purposes only.

Converter Replacement Fund

A converter replacement fund is statutorily required in the State of Florida, when existing Buildings are converted to ownership as residential condominiums. The Developer has Elected to provide the statutory warranties pursuant to the provisions of Section 718.618 (6), Florida Statutes.

The Association prepared its financial statements on the accrual basis of accounting and in accordance with the Common Interest Realty Association Industry Audit Guide promulgated by the American Institute of Certified Public Accountants and in the accordance with Section 718.307(4)(c) of the Florida Statutes.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The income and expenses of the Association are allocated to unit owners based on the number of units. The quarterly assessment for each homeowner in 2010 was \$891 which included \$96 in reserves. Assessments receivable at the balance sheet date represents fees due from unit owners and unearned assessment income represents future fees paid in advance by members.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Ownership of the commonly owned assets is vested directly or indirectly in the unit owners, and those assets are not deemed to be severable. As a result, commonly owned assets are not recorded on the Association's financial statements. Assets not recorded on the books of the Association include the clubhouse, pool and roadways.

Management Estimates

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

Income Taxes

The Association has selected a December 31 year end and has filed its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income, less a portion of allocated Association expenses. The Association's income tax for the year ended 2010 was \$-0- using the 1120H method of tax filing.

Concentration of Credit Risk

The Association maintains accounts at various financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billing to unit owners who pay quarterly assessments. The Association may continue to experience credit losses in the future.

Fair Value of Financial Instruments

The carrying value of cash, prepaids, payables and unearned assessment income approximate fair value due to the short maturity of these financial instruments.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE C: REPLACEMENT FUND

Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless funding is waived or modified by the unit owners at a unit owner meeting. These funds are generally not available for expenditures for normal operations.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on current replacement costs, using the straight-line method. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessment, or delay repairs and replacements until funds are available.

NOTE D: CONVERTER REPLACEMENT FUNDS

According to requirements of the State of Florida, when existing improvements are converted to ownership as a residential condominium, the Developer shall establish replacement fund accounts for capital expenditures and deferred maintenance, or give warranties (as provided in the Statutes) or post a surety bond (as provided in the Statutes). The Developer has elected to provide the statutory warranties pursuant to the provisions of Section 718.618(6), Florida Statutes.

NOTE E: ASSESSMENTS RECEIVABLE

Primarily represents the quarterly assessments due from homeowners aged less than 90 days. The member assessment receivable over 90 days at December 31, 2010 was \$483,623. This amount has been fully reserved and is included in bad debt on the statement of revenues, expenses and changes in fund balances.

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Liens have been filed on several properties and may result in future collections of the amounts charged to bad debt in 2010.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2010

NOTE F: REQUIRED RESERVE FUND

Under Florida Statutes the Association is required to accumulate funds for future major repairs and replacements. These funds are to be segregated and held primarily in interest bearing accounts.

The future reserves are funded and based on the engineering study of the completed buildings.

The reserves to funded for: Exterior Reserves	Annually
Outside Painting	\$ 40,000
Roof Replacement	56,527
Resurfacing-Pavement	4,466
Covered Carports	37,113
Pool Refinish & Equipment	-
Clubhouse Renovation	-
Tennis Courts	-
Total	\$ <u>138,106</u>

The Exterior Reserves	
Opening Balance 01-01-10	\$ 125,627
Transfers and Interest	149,089
Charges	(<u>6,322</u>)
Ending Balance 12-31-10	\$ <u>268,394</u>
Total Reserves	\$ <u>268,394</u>

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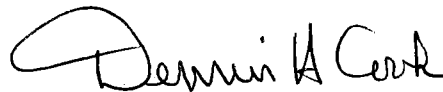
**INDEPENDENT AUDITOR'S REPORT
ON OTHER FINANCIAL INFORMATION**

February 28, 2011

To The Board of Directors
St. Croix at Pelican Marsh Condominium Association
Naples, Florida

The other financial information on pages 8 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other financial information on the future major repairs and replacements on the future major repairs and replacements on page 8 is not a required part of the basic financial statements but is other financial information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the other financial information. However, I did not audit the information and express no opinion on it.



Dennis H. Cook
Certified Public Accountant

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION

**OTHER FINANCIAL INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)**

FOR THE PERIOD ENDED DECEMBER 31, 2010

An Independent architect conducted a study in October, 2007 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated future costs to repair or replace the common property. Required annual payment starting from condition "new."

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2010 Funding Requirement</u>	<u>Components Of Fund Balance December 31, 2010</u>
Common Elements:				
Roof Cover	24	\$1,413,187	\$ 56,527	\$ 218,248
Paving-Asphalt	4	22,331	4,466	17,941
Painting	6	280,000	40,000	(72,979)
Carports	19	742,251	37,113	98,394
Pool Refinish, Equip	7	-	-	-
Clubhouse Renovation	7	-	-	-
Tennis Courts	1	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$2,457,769</u>	<u>\$ 138,106</u>	<u>\$ 261,604</u>

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION
SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCE
FOR THE PERIOD ENDED DECEMBER 31, 2010

<u>COMPONENTS</u>	<u>Beginning Fund Balance</u>	<u>Additions To Fund</u>	<u>Changes To Fund</u>	<u>Components Of Ending Fund Balance</u>
Common Elements:				
Roof Cover	\$ 161,721	\$ 56,527	\$ -	\$ 218,248
Paving	13,475	4,466	(-)	17,941
Painting & Siding	(114,115)	41,136	(-)	(72,979)
Carports Covered	<u>57,685</u>	<u>46,959</u>	<u>(6,250)</u>	<u>98,394</u>
	<u>\$ 118,766</u>	<u>\$ 149,088</u>	<u>\$ (6,250)</u>	<u>\$ 261,604</u>

All interest income was allocated to the painting reserve for 2010.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND ASSESSMENTS,
EXPENSES AND CAPITAL TRANSACTIONS – ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2010

	ACTUAL "AUDITED"	APPROVED BUDGET "UNAUDITED"	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND ASSESSMENTS			
Maintenance Fee Assessment	\$ 1,283,040	\$1,283,025	\$ 15
Interest	1,873	-	1,873
Other-Water Reimb., Misc.	<u>196,864</u>	<u>123,484</u>	<u>73,380</u>
Total Revenues & Assessments	1,481,777	1,406,509	75,268
EXPENSES			
Office & Maintenance Payroll	85,542	86,525	983
Management Fees	23,760	23,760	-
Accounting Fees	4,500	3,500	(1,000)
Legal Fees	<u>8,298</u>	<u>40,000</u>	<u>31,702</u>
	122,100	153,785	31,685
Maintenance & Operating Expenses			
Repairs, Pool	19,925	12,100	(7,825)
Security Service	12,670	25,000	12,330
General Maintenance	19,728	18,400	(1,328)
Pest Control	6,000	6,000	-
Grounds-Contract & Maintenance	94,887	75,488	(19,399)
Entry Gate	13,876	2,500	(11,376)
Fire Protection	21,700	15,270	(6,430)
Clubhouse, Fitness	<u>5,838</u>	<u>2,000</u>	<u>(3,838)</u>
	194,624	156,758	(37,866)
Taxes, Licenses & Fees			
Other Taxes, Payroll	3,981	3,055	(926)
Florida Condo Fees	<u>1,440</u>	<u>-</u>	<u>(1,440)</u>
	5,421	3,055	(2,366)
Utilities			
Electric	32,677	52,524	19,847
Water & Sewer	94,634	96,000	1,366
Telephone	20,669	20,270	(399)
Trash	67,720	54,024	(13,696)
Cable TV	<u>86,455</u>	<u>87,150</u>	<u>695</u>
	302,155	309,968	7,813

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND ASSESSMENTS,
EXPENSES AND CAPITAL TRANSACTIONS – ACTUAL AND BUDGET (continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>ACTUAL</u> <u>“AUDITED”</u>	<u>APPROVED</u> <u>BUDGET</u> <u>“UNAUDITED”</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Administration			
Office Expense	18,286	15,052	(3,234)
Misc. Administration-Interest	-	8,000	8,000
Bad Debts	<u>115,697</u>	<u>275,600</u>	<u>159,903</u>
	133,983	298,652	<u>164,669</u>
Insurance			
Property, Liability & Interest	<u>268,556</u>	<u>346,185</u>	<u>77,629</u>
Total Expenses (Excluding Depreciation)	1,026,839	1,268,403	241,564
EXCESS OF EXPENSES OVER REVENUES AND ASSESSMENTS (Excluding Depreciation)	454,938	138,106	316,832
CAPITAL TRANSACTIONS			
Reserves Paid-Painting & Paving	(<u>138,106</u>)	(<u>138,106</u>)	<u>-</u>
EXCESS OF EXPENSES OVER REVENUES AND ASSESSMENTS (Excluding Depreciation) AND CAPITAL TRANSACTIONS	<u>\$ 316,832</u>	<u>\$ -0-</u>	<u>\$ 316,832</u>