

ROYAL PINES
HOMEOWNERS ASSOCIATION, INC.
St. Augustine, Florida

FINANCIAL STATEMENTS
December 31, 2009

ROYAL PINES HOMEOWNERS ASSOCIATION, INC.

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James G. Hutchens, Jr.

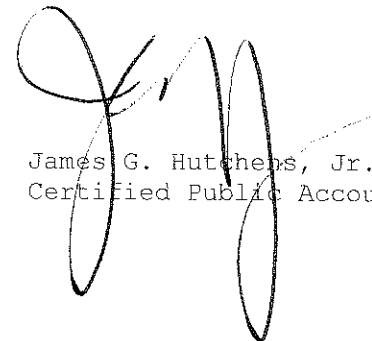
Certified Public Accountant
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Board of Directors
Royal Pines Homeowners
Association, Inc.
St. Augustine, Florida

I have compiled the accompanying balance sheet of Royal Pines Homeowners Association, Inc. as of December 31, 2009 and the related statements of revenues, expenses and net assets and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

March 1, 2010



James G. Hutchens, Jr.
Certified Public Accountant

ROYAL PINES HOMEOWNERS ASSOCIATION, INC.
St. Augustine, Florida

BALANCE SHEET
December 31, 2009

	Operating Fund	Replacement Fund	Totals
ASSETS			
Cash	\$ 28,517	\$ 153,143	\$ 181,660
Assessments Receivable	6,330		6,330
Prepaid Expenses	1,640		1,640
Deposits	<u>1,085</u>		<u>1,085</u>
TOTAL ASSETS	<u>\$ 37,572</u>	<u>\$ 153,143</u>	<u>\$ 190,715</u>
LIABILITIES AND NET ASSETS			
Accounts Payable	\$ 2,020	\$	\$ 2,020
Income Taxes Payable	603		603
Assessments Received in Advance	<u>18,955</u>		<u>18,955</u>
TOTAL LIABILITIES	21,578		21,578
Net Assets	<u>15,994</u>	<u>153,143</u>	<u>169,137</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,572</u>	<u>\$ 153,143</u>	<u>\$ 190,715</u>

See Accountant's Compilation Report.

HOECHHERS ASSOCIATION, INC.
St. Augustine, Florida

STATEMENT OF REVENUES, EXPENSES, AND NET ASSETS
For the Year Ended December 31, 2009

	Operating Fund	Replacement Fund	Totals
REVENUES			
Regular assessments	\$ 119,725	\$	\$ 119,725
Other income	5,904		5,904
Interest income	67	2,485	2,552
	<u>125,696</u>	<u>2,485</u>	<u>128,181</u>
EXPENSES			
Bad debts	12,000		12,000
Controlled access	8,598		8,598
Insurance	4,067		4,067
Landscaping	41,660		41,660
Major repairs and replacements			
Management fees	8,125		8,125
Office expenses	1,760		1,760
Professional fees	4,315		4,315
Repairs and maintenance	13,852		13,852
Taxes, licenses, and fees	664		664
Utilities	5,815		5,815
	<u>100,856</u>	<u>2,485</u>	<u>100,856</u>
Total Operating Expenses			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	24,840	2,485	27,325
NET ASSETS, January 1, 2009	16,996	124,816	141,812
Transfers to Capital Reserves	<u>(25,842)</u>	<u>25,842</u>	
NET ASSETS, December 31, 2009	<u>\$ 15,994</u>	<u>\$ 153,143</u>	<u>\$ 169,137</u>

See Accountant's Compilation Report.

ROYAL PINES HOMEOWNERS ASSOCIATION, INC.
St. Augustine, Florida

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2009

	Operating Fund	Replacement Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenses	\$ 24,840	\$ 2,485	\$ 27,325
Adjustment to reconcile excess of revenues to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	1,867		1,867
Prepaid expenses	132		132
Increase (decrease) in:			
Accounts payable	409		409
Income taxes payable	(218)		(218)
Assessments received in advance	6,939		6,939
Net Cash Provided (Used) By Operating Activities	33,969	2,485	36,454
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer to capital reserves	(25,842)	25,842	
Net change in cash and cash equivalents	8,127	28,327	36,454
CASH AND CASH EQUIVALENTS, January 1, 2009	20,390	124,816	145,206
CASH AND CASH EQUIVALENTS, December 31, 2009	\$ 28,517	\$ 153,143	\$ 181,660

Supplemental disclosures of cash flow information:

Cash paid for income taxes	\$ 821
Cash paid for interest	\$ 0

See Accountant's Compilation Report.

ROYAL PINES HOMEOWNERS ASSOCIATION, INC.
St. Augustine, Florida

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1. NATURE OF ORGANIZATION

Royal Pines Homeowners Association, Inc. is a statutory homeowners association incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the Royal Pines development. The development consists of 400 residential units located in St. Augustine, Florida.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide for certain guidelines for governing 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 the 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 to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowner's whose assessments are substantially delinquent.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

Income Taxes

Homeowner's associations may be taxed as either homeowner's associations or regular corporations. Royal Pines Homeowners Association, Inc. has elected to be taxed as a homeowner's association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings. Exempt function income, which consists primarily of member assessments, is not taxable. The Association incurred income taxes of \$ 603 for the year ended December 31, 2009.

See Accountant's Compilation Report.

ROYAL PINES HOMEOWNERS ASSOCIATION, INC.
St. Augustine, Florida

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Association considers cash and cash equivalents to include checking accounts, money market accounts, and certificates of deposit maturing in six months or less.

The majority of the Association's cash is placed with one local banking institution. At times, the balances on deposit may exceed federally insured limits. To date, the Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of 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.

NOTE 3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$ 153,143 at December 31, 2009, are not available for operating purposes without prior approval of the Board of Directors. These funds are accumulated based upon a study performed by a consulting firm specializing in reserve studies. This study was used to determine the remaining useful lives and the replacement costs of common property components.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, 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 future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Component	Remaining Life (yrs)	Replacement Costs
Paving	3	\$ 170,025
Signage	3-13	52,281
Lighting	5-17	271,646
Irrigation	0-3	30,474
Fountains	0-9	<u>18,814</u>
		543,240
Accumulated funds		153,143
Unfunded balance		<u>\$ 390,097</u>

See Accountant's Compilation Report.

ROYAL PINES HOMEOWNERS ASSOCIATION, INC.
St. Augustine, Florida

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 4. DEFERRED REVENUE

Deferred revenue represents assessments received in advance and is recognized as income in the month the assessments are earned. As of December 31, 2009, the amount of deferred revenue from regular assessments was \$ 18,955.

See Accountant's Compilation Report.