

Audit

**JUPITER REEF CLUB CONDOMINIUM
OWNERS ASSOCIATION, INC.**

JUPITER, FLORIDA

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.

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PROCTOR, CROOK,
CROWDER & FOGAL

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES
AUDIT, TAXATION & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Directors and Members
Jupiter Reef Club Condominium
Owners Association, Inc.
Jupiter, Florida

We have audited the accompanying financial statements of Jupiter Reef Club Condominium Owners Association, Inc. which comprise the balance sheet as of April 30, 2014, and the related statements of assessments, revenues, expenses and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MEMBER:

DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

AN INDEPENDENT MEMBER OF
BDO
SEIDMAN
ALLIANCE

Directors and Members
Jupiter Reef Club Condominium
Owners Association, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jupiter Reef Club Condominium Owners Association, Inc. as of April 30, 2014, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Comparison of Actual Versus Budgeted Operating Expenses on Pages 12 and 13 which is the responsibility of the Association's management, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information, except for that portion marked as "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements taken as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide an assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements on Page 14 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

33 S.W. Flagler Avenue
Stuart, Florida
September 25, 2014

Proctor, Crook, Crowder & Fogal PA

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.

BALANCE SHEET

APRIL 30, 2014

ASSETS	Operating Fund	Replacement Fund	Total
Cash	\$ 280,127	\$ 730,410	\$ 1,010,537
Investments	-	130,139	130,139
Assessments receivable - net	11,029	-	11,029
Due from other fund	9,152	-	9,152
Prepaid expenses	43,306	-	43,306
Inventory	2,200	-	2,200
Time share units for sale	21,000	-	21,000
Property and equipment (at cost less accumulated depreciation of \$75,390)	28,083	-	28,083
	<u>\$ 394,897</u>	<u>\$ 860,549</u>	<u>\$ 1,255,446</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	\$ 66,669	\$ -	\$ 66,669
Prepaid assessments	73,170	-	73,170
Rental deposits and rents payable to owners	87,510	-	87,510
Accrued payroll and sales tax payable	8,024	-	8,024
Due to other fund	-	9,152	9,152
Deferred income tax payable	46	-	46
	235,419	9,152	244,571
Fund balance	159,478	851,397	1,010,875
	<u>\$ 394,897</u>	<u>\$ 860,549</u>	<u>\$ 1,255,446</u>

The accompanying notes are an integral part of these financial statements.

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.**STATEMENT OF ASSESSMENTS, REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE****YEAR ENDED APRIL 30, 2014**

	Operating Fund	Replacement Fund	Total
Assessments and revenues:			
Member assessments	\$ 748,051	\$ 221,700	\$ 969,751
Rental commissions	153,737	-	153,737
Other income	28,642	-	28,642
Interest income	34	1,227	1,261
	<u>930,464</u>	<u>222,927</u>	<u>1,153,391</u>
Expenses:			
Salaries and benefits	339,348	-	339,348
Utilities	136,135	-	136,135
Maintenance	101,866	-	101,866
Taxes upon association property	97,883	-	97,883
Administrative expenses	72,696	-	72,696
Insurance	69,406	-	69,406
Other expenses	20,005	-	20,005
Replacement fund expenses	-	172,301	172,301
	<u>837,339</u>	<u>172,301</u>	<u>1,009,640</u>
Excess of assessments and revenues over expenses before income taxes	93,125	50,626	143,751
Income tax expense	<u>4,086</u>	<u>-</u>	<u>4,086</u>
Excess of assessments and revenues over expenses	89,039	50,626	139,665
Fund balance at beginning of year	102,392	800,771	903,163
Adjustments to fund balance - prior period adjustment	<u>(31,953)</u>	<u>-</u>	<u>(31,953)</u>
Fund balance at end of year	<u>\$ 159,478</u>	<u>\$ 851,397</u>	<u>\$ 1,010,875</u>

The accompanying notes are an integral part of these financial statements.

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2014

	Operating Fund	Replacement Fund	Total
Increase (decrease) in cash			
Cash flows from operating activities:			
Maintenance assessments collected	\$ 757,934	\$ 221,700	\$ 979,634
Other income received	148,956		148,956
Interest income	34	1,227	1,261
Cash paid for operating and replacement fund expenditures	(850,427)	(172,301)	(1,022,728)
Income taxes paid	(340)		(340)
Net cash provided by operating activities	<u>56,157</u>	<u>50,626</u>	<u>106,783</u>
Cash flows from investing activities:			
Purchases of investments	-	(1,037)	(1,037)
Proceeds from sale of timeshare units	12,250	-	12,250
Net cash provided by investing activities	<u>12,250</u>	<u>(1,037)</u>	<u>11,213</u>
Cash flows from financing activities:			
Transfers (to) from other fund	61,147	(61,147)	-
Net cash used in financing activities	<u>61,147</u>	<u>(61,147)</u>	<u>-</u>
Net increase in cash	129,554	(11,558)	117,996
Cash at beginning of year	150,573	741,968	892,541
Cash at end of year	<u>\$ 280,127</u>	<u>\$ 730,410</u>	<u>\$ 1,010,537</u>
Reconciliation of assessments and revenues over expenses to net cash provided by operating activities:			
Excess of assessments and revenues over expenses	<u>\$ 89,039</u>	<u>\$ 50,626</u>	<u>\$ 139,665</u>
Adjustments to reconcile excess of assessments and revenues over expenses to net cash provided by operating activities:			
Depreciation	9,015	-	9,015
Loss on sale of timeshare units	2,750	-	2,750
Bad debt	4,187	-	4,187
Changes in assets and liabilities:			
Assessments receivable	(8,402)	-	(8,402)
Prepaid expenses	(24,895)	-	(24,895)
Accounts payable and accrued expenses	7,236	-	7,236
Rents payable to owners	(21,173)	-	(21,173)
Prepaid assessments	(902)	-	(902)
Deferred income tax	(698)	-	(698)
Total adjustments	<u>(32,882)</u>	<u>-</u>	<u>(32,882)</u>
Net cash provided by operating activities	<u>\$ 56,157</u>	<u>\$ 50,626</u>	<u>\$ 106,783</u>

Supplemental disclosures of cash flow information (see note 9).

The accompanying notes are an integral part of these financial statements.

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements have been prepared pursuant to Section 718 of the Florida Statutes. The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

The Operating Fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations.

The Replacement Fund (also known as reserves) is composed of all capital assessments paid by unit owners to fund future replacements, major repairs, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which maintenance assessments were levied.

Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates.

Assessments Receivable — Assessments receivable represent amounts owed by certain unit owners for their proportionate share of the cost of maintaining the Association's common areas and administration of the Association. These amounts have been determined based upon the budget approved by the Board of Directors. A late fee of \$25 and is charged when the delinquent balance is outstanding for more than 45 days. Accounts are sent to collection once the board of directors has exhausted all means available to collect the debt. Once an account is deemed uncollectible, non-judicial foreclosure proceedings are initiated. Delinquent accounts are considered collectible until such time that the Board of Directors has exhausted the collection process which includes liens, judgments, foreclosures and, in the opinion of the Association's legal counsel, all or a portion of the balance is uncollectible. As of April 30, 2014, \$164,764 was included in the allowance for uncollectible assessments. Balances outstanding for more than ninety days at April 30, 2014 aggregate to \$175,793.

Investments — Investments in certificates of deposit are considered held to maturity and reflected in the accompanying balance sheet at cost.

Inventory — The Association records inventory at the lower of cost or market on a first-in, first-out basis.

Capitalization Policy and Depreciation — The Association capitalizes real and personal property that the Association purchases and holds title to or has evidence of ownership and is not directly associated with the units. These assets are recorded at cost and are depreciated over their estimated useful lives. Furthermore, in order for real property to be recorded as an asset of the Association, the following requirements must be present:

The Board of Directors may dispose of the assets and retain the proceeds, and the property generated significant cash flows to the Association.

Furniture and equipment are depreciated over their estimated useful lives of three to seven years using the straight-line method of depreciation. Depreciation expense was \$9,015 for the year ended April 30, 2014.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Association reflects units to which it holds title, due to foreclosures, quit-claim deeds, or other forms of conveyance, at fair market value. Units are held for sale, therefore no depreciation is reflected. Gain or loss is recognized on the difference between fair market value and the total of delinquent assessments and other costs of acquisition.

Real and personal property directly associated with the units are not capitalized on the Association's financial statements as they are committed to interval ownership, fee simple when acquired from the Developer.

Replacements and improvements to the interior of units, which include replacement of furniture, fixtures, appliances, carpeting, utensils, etc., also belong to the owners and not the Association.

Owners' Assessments — The Association's regular assessments were as follows:

	<u>Maintenance</u>	<u>Taxes</u>	<u>Reserves</u>	<u>Total</u>
A units	\$ 425	\$ 80	\$ 116	\$ 621
1 Bedroom units	\$ 425	\$ 49	\$ 116	\$ 590
2 Bedroom units	\$ 460	\$ 80	\$ 127	\$ 667

The annual budget and owners' assessments are determined by the Board of Directors. Annual budgets are approved and assessments are divided between the operating costs and contribution to the replacement funding program.

Interest Earned — Interest earned on replacement funds is allocated based on the same percentage as the current year's funding components bears to the total funding for the replacement fund.

Income Taxes — The Association is not taxed on amounts assessed to owners. However, all other amounts received do not qualify as exempt function income and are taxed net of related expenses. The Association for the period elected to be taxed as a regular corporation in conjunction with Section 277 of the Internal Revenue Code.

The Association provides for income taxes using the asset and liability method as required by FASB ASC 740. This approach recognizes the amount of federal, state, and local taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequences of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates in the period during which they are signed into law. A valuation allowance is required when it is more likely than not all or some portion of the deferred tax assets will not be realized through generating sufficient future taxable income.

(Notes continued on next page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FASB ASC 740 clarifies the accounting for uncertainty in income taxes by defining the criterion an individual tax position must meet for any part of the benefit of the tax position to be recognized in financial statements prepared in conformity with accounting principles generally accepted in the United States of America. The Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based solely on the technical merits of the tax position. The tax benefits recognized in the financial statements from such a tax position should be measured based on the largest benefit having a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. Additionally, FASB ASC 740 provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with the disclosure requirements, the Association's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of total interest expense and other expense, respectively. At April 30, 2014, the Association did not have any uncertain tax positions. As a result, no amounts have been accrued for penalties and interest owed to taxing authorities.

Tax years that remain subject to examination by federal and state authorities are 2012, 2011, and 2010.

Cash Flows — The Association presents changes in cash flows using the direct method. Cash consists of cash in banks and money market funds.

NOTE 2 - ORGANIZATION AND PURPOSE

Organization — The Jupiter Reef Club Condominium Owners Association, Inc., (the "Association"), a Florida not-for-profit corporation, was formed January 14, 1983, and is a time share estate as defined in section 718.103(19) of the Florida Statutes. The Association consists of 31 units, each of which may contain 51 unit weeks, resulting in a maximum of 1,581 weeks in the condominium. Time-share periods are conveyed to purchasers in fee simple by warranty deed in multiples of seven (7) days, and accordingly, an interest in the underlying real property will be conveyed to the purchaser.

The Association's main purpose is to maintain and protect the common areas, such as the building exterior, recreation areas and landscaping. The Association is also responsible for repairs and upkeep on the interior of units and repair and replacement of furniture, fixtures, appliances, carpeting, utensils, etc.

All policy decisions are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Association maintains its cash funds in several banks located in Florida. These funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured portion of those deposits at April 30, 2014 was approximately \$375,000.

(Notes continued on next page)

NOTE 4 - INVESTMENTS

Investments consist of mutual funds (short-term investors trust liquid assets) and certificate of deposits, which are intended to be held until maturity. The following schedule summarizes investment activity for the years ended April 30, 2014.

Beginning balance, at cost	\$ 363,709
Transfer from other accounts	363,709
Transfer to other accounts	(363,709)
Accrued interest, premiums and discounts	1,037
Interest reinvested	36
Interest received	(36)
Ending balance, at cost	<u>364,746</u>
Less - Approximate market value	<u>364,746</u>
	<u>\$ -</u>

Investments consist of certificates of deposits which are considered to be held to maturity and consist of the following:

Certificate of deposit (replacement fund) - one certificate due July 2014 with an interest rate of .75%	<u>\$ 130,139</u>
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NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in a separate money market and mutual fund accounts and certificates of deposit and are not available for expenditures for normal operations.

In 2011, the Board of Directors engaged an outside engineering firm to conduct a reserve study to estimate the remaining useful lives and replacement costs of the components of common property. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board of Directors is funding for major repairs and replacements over the remaining useful lives of the components based on the study's current estimates of replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, \$165,925 should be funded in 2014-2015; however, the Board of Directors approved \$188,059. Actual expenditures could vary from the estimated future expenditures and the variations could be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed or have not been appropriately funded, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

(Notes continued on next page)

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

Shown below is a schedule reflecting the beginning balances, amounts funded and expended, and ending balances of the replacement fund:

Component	Funded Beginning of Year	Funded This Year	Expended This Year	Funded End of Year
Roof replacement	\$ 75,575	\$ 15,083	\$ -	\$ 90,658
Building painting	9,146	1,005	-	10,151
Electrical reserve	26,378	20,111	-	46,489
Plumbing reserve	2,254	2,514	-	4,768
Paving and resurfacing	23,235	-	-	23,235
Interior replacement	301,581	80,443	28,992	353,032
Pool and patio furniture	10,428	4,022	-	14,450
Air conditioners	6,583	9,050	8,900	6,733
Seawall reserve	203,225	70,387	112,846	160,766
Windows and sliders	58,739	9,553	-	68,292
Patio resurfacing	47,335	7,944	-	55,279
Building siding	3,322	2,815	-	6,137
Pool resurfacing	32,970	-	21,563	11,407
	<u>\$ 800,771</u>	<u>\$ 222,927</u>	<u>\$ 172,301</u>	<u>\$ 851,397</u>

NOTE 6 - COMMITMENTS

The Association has a three year cable television access and service agreement with Comcast which ended April 30, 2007 and has automatically been renewing on a two year term. Either party may elect not to renew the term with a written 90 day notice prior to expiration. The agreement is subject to annual increases not to exceed 6%. Cable expense for the year ended April 30, 2014 was \$21,013.

The Association began a two year contract for telephone and internet services with Comcast Business Services in June 2013. The monthly fee is \$315.

NOTE 7 - CONTINGENCY

The insurance policies maintained by the Association provide that in the event of damage caused by wind and hail, a deductible of 3% of the insured value of the property is the Association's obligation. In such an event, if the funds needed to pay for this deductible are not available at the time of the event, the Board of Directors may increase regular assessments, approve a special assessment, or delay repairs until such funds are available.

(Notes continued on next page)

NOTE 8 - INCOME TAX EXPENSE

Income tax expense consists of the following:

Current tax expense:	
Federal	\$ 4,040
State	<u>-</u>
	<u>\$ 4,040</u>
Deferred tax expense:	
Federal	\$ 46
State	<u>-</u>
	<u>\$ 46</u>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis. The temporary differences that give rise to the deferred tax liabilities are the Association's units held for sale. For the financial statements, these units are reflected as income at the time of acquisition. For tax purposes, they are treated as an investment in real estate, with gain or loss recognized when the units are sold.

NOTE 9 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW

During 2014, the Association paid the following:

Income tax	<u>\$ 340</u>
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The Association did not have any non-cash financing activities

The Association had the following non-cash investing activities:

Units available for sale	<u>\$ 15,500</u>
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NOTE 10 – PRIOR PERIOD ADJUSTMENT

The operating fund balance at the beginning of the year was decreased by \$31,953 to correct an error in amounts accrued for property taxes owed on the condominium property for calendar year 2013.

NOTE 11 - DATE OF MANAGEMENT’S REVIEW

In accordance with accounting principles generally accepted in the United States of America, management has evaluated the existence of any subsequent events occurring through September 25, 2014, the date that the financial statements were available to be issued. The Association is not aware of any events occurring subsequent to the balance sheet date which would affect the financial statements and disclosures thereto.

SUPPLEMENTAL INFORMATION

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.

COMPARISON OF ACTUAL VERSUS BUDGETED OPERATING EXPENSES

YEAR ENDED APRIL 30, 2014

	Actual	Budget (Unaudited)
Expenses:		
Salaries and benefits:		
Administrative salaries	\$ 103,462	\$ 116,600
Maintenance salaries	65,336	68,000
Maid salaries	45,142	43,000
Housekeeping salaries	38,609	32,500
Payroll tax expense	34,127	29,000
Lawn maintenance salaries	26,601	26,000
Evening clerk salaries	25,591	31,000
Maintenance weeks salaries	480	-
Employee bonus	-	5,000
Temporary labor	-	500
	<u>339,348</u>	<u>351,600</u>
Utilities:		
Electricity	35,868	43,000
Gas	32,518	21,000
Water and sewer	30,485	18,000
Cable TV	21,013	21,060
Trash service	6,969	7,000
Telephone	6,437	13,000
Telephone repairs	1,585	-
Fire alarm	1,260	5,000
	<u>136,135</u>	<u>128,060</u>
Maintenance:		
General maintenance and supplies	50,955	55,000
Cleaning supplies	18,366	18,000
Pool maintenance	7,998	6,000
Exterminating and pest control	7,965	5,000
Pool maintenance contract	5,114	6,000
Air conditioning maintenance	4,816	6,000
End of year interior purchases	2,517	-
Pool & patio furniture repair	1,300	5,000
Irrigation maintenance contract	1,000	500
Irrigation maintenance repairs	592	1,500
Outdoor lighting	584	-
Windows, shutters, exterior maintenance	265	-
Landscape improvements	166	2,000
Auto expense and allowance	117	500
Gas grills	100	-
Cleaning services	11	2,000
Carpet cleaning service	-	2,500
	<u>101,866</u>	<u>110,000</u>

(Continued on next page)

See independent auditor's report on supplementary information.

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.

COMPARISON OF ACTUAL VERSUS BUDGETED OPERATING EXPENSES

YEAR ENDED APRIL 30, 2014

	Actual	Budget (Unaudited)
Property taxes:		
Real estate property taxes	96,447	99,000
Taxes and licenses	1,436	-
	<u>97,883</u>	<u>99,000</u>
Administration:		
Bank and credit card charges	16,981	14,000
Accounting	13,145	4,000
Legal fees foreclosures	8,060	10,000
Audit fees	7,284	6,500
Equipment storage and rental	5,988	4,000
Office supplies and expenses	5,282	10,000
Postage and delivery expense	3,350	4,000
Promotional expenses	2,936	4,000
Computer support	2,229	3,500
Other administrative expenses	2,169	2,000
Printing expenses	1,989	2,000
Advertising	1,767	300
Wireless internet	1,000	1,000
Web-site expense	369	1,000
Legal fees	147	10,000
Dues and subscriptions	-	800
Auto expense and allowance	-	300
	<u>72,696</u>	<u>77,400</u>
Insurance:		
Property insurance	54,622	44,000
Workers compensation insurance	9,326	11,000
Liability insurance	5,458	5,500
	<u>69,406</u>	<u>60,500</u>
Other expenses:		
Depreciation	9,015	15,000
Bad debts	4,187	20,000
Division fees	3,162	3,162
Penalties	1,250	-
Staff uniforms	833	1,000
Retail purchases	747	2,000
Security expense	636	-
Reimbursements	175	-
Storm damages	-	3,000
Vending machine expenses	-	2,000
	<u>20,005</u>	<u>46,162</u>
Income tax:		
Federal income tax	4,086	2,500
	<u>4,086</u>	<u>2,500</u>
Total	<u>\$ 841,425</u>	<u>\$ 875,222</u>

See independent auditor's report on supplementary information.

JUPITER REEF CLUB CONDOMINIUM OWNERS ASSOCIATION, INC.

SUPPLEMENTAL INFORMATION OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

APRIL 30, 2014

In 2011, the Board of Directors engaged an outside firm to prepare a formal study to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate on amounts funded for future major repairs and replacements. Since that time, the Board of Directors has annually adjusted the study to update estimates to current day value. The estimates were obtained from various sources such as licensed contractors who inspected the property, invoices from the recent acquisition or replacement of common property, and telephone inquiries of licensed contractors for estimated costs to replace.

Component	Estimated Useful Lives	Remaining Useful Lives	Current Replacement Costs	Current Funding Requirement	Approved Funding
Roof replacement	50 Years	18 Years	\$ 367,000	\$ 15,356	\$ 15,500
Building painting	7 Years	3 years	13,000	951	1,000
Electrical reserve	40 Years	1 Years	58,000	11,618	12,000
Laundry room	10 Years	10 Years	50,000	5,000	5,000
Plumbing reserve	50 Years	18 Years	45,000	2,236	2,500
Paving and resurfacing	7 - 20 Years	3 - 8 Years	22,000	-	-
Interior replacement	7 - 30 Years	2 - 13 Years	587,000	48,344	60,000
Poll and patio furniture	7 Years	3 Years	60,000	5,957	6,000
Air conditioner	16 Years	14 Years	144,000	9,619	15,000
Seawall reserve	35 Years	8 Years	862,500	43,851	48,000
Windows and sliders	40 Years	28 Years	335,000	9,526	9,500
Patio resurfacing	25 years	19 Years	205,000	7,882	7,900
Building siding	30 Years	29 Years	120,000	3,926	4,000
Pool resurfacing	10 - 30 Years	3 - 13 Years	25,000	1,659	1,659
			<u>\$ 2,893,500</u>	<u>\$ 165,925</u>	<u>\$ 188,059</u>

See independent auditor's report on required supplementary information.