

OCEAN FOREST CLUB, INC.

d.b.a.

OCEAN FOREST CLUB HOMEOWNERS' ASSOCIATION, INC.

MYRTLE BEACH, SOUTH CAROLINA

FINANCIAL STATEMENTS

December 31, 2008

OCEAN FOREST CLUB, INC.

d.b.a. OCEAN FOREST CLUB HOMEOWNERS' ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ocean Forest Club, Inc.

I have audited the accompanying balance sheet of Ocean Forest Club, Inc. as of December 31, 2008, and the related statements of revenues and expenses and changes in members' equity, 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 Ocean Forest Club, Inc. as of December 31, 2008, 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.

The Association's management has not estimated the remaining lives and replacement costs of the common property, and therefore, has not presented supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.



Surfside Beach, South Carolina
September 18, 2009

Ocean Forest Club, Inc.
d.b.a. Ocean Forest Club Homeowners' Association, Inc.
Myrtle Beach, South Carolina
Balance Sheet
December 31, 2008

Assets

Assets		
Cash - Undesignated	\$	63,423
Certificates of Deposits		18,584
Assessments Receivable - Members (Net of Allowance for Doubtful Accounts of \$13,195)		200
Accrued Interest Receivable		238
Prepaid Insurance		1,030
Total Assets	\$	<u>83,475</u>

Liabilities and Members' Equity

Liabilities		
Accounts Payable	\$	2,776
Accrued Property Taxes Payable		28,082
Assessments Received in Advance		<u>54,005</u>
Total Liabilities		84,863
Members' Equity		
Undesignated		<u>(1,388)</u>
Total Members' Equity		(1,388)
Total Liabilities and Members' Equity	\$	<u>83,475</u>

Ocean Forest Club, Inc.
d.b.a. Ocean Forest Club Homeowners' Association, Inc.
Myrtle Beach, South Carolina
Statement of Revenues and Expenses and Changes in Members' Equity
For the Year Ended December 31, 2008

Revenues	
Member Assessments - Operations	\$ 170,500
Late Fee Revenue	2,700
Interest Income	1,304
Total Revenues	174,504
Expenses	
Pool Supplies	1,437
Pool Maintenance - Contracted	5,832
General Maintenance - Contracted	940
General Maintenance - Uncontracted	8,868
Grounds Maintenance - Contracted	11,316
Grounds Maintenance - Uncontracted	919
Pest Control	1,234
Maid and Linen	31,252
Unit Supplies - Contracted	2,100
Unit Supplies - Uncontracted	6,457
Telephone Service	3,677
Accounting and Auditing Expense	1,950
Property and Income Taxes	28,182
Insurance Expense	14,526
Office Supplies and Administration Expense	1,331
Property Management Services	18,768
Bad Debt Expense	5,300
Check in Services	2,500
Electric Power Expense	12,033
Water and Sewer Expense	4,202
Cable Television Expense	5,466
New Air Conditioners	3,195
Total Expenses	171,485
Excess of Revenues Over Expenses	3,019
Members' Equity Beginning of Year	(4,407)
Members' Equity End of Year	\$ (1,388)

See accountant's report and notes to financial statements

Ocean Forest Club, Inc.
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Myrtle Beach, South Carolina
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash Flows from Operating Activities

Excess of Revenue Over Expenses	\$ <u>3,019</u>
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:	
Decrease in Prepaid Insurance	2,376
Decrease in Accrued Interest Receivable	386
Increase in Accounts Payable	1,803
Increase in Accrued Property Taxes Payable	28,082
Increase in Assessments Received in Advance	8,930
Total Adjustments	<u>41,577</u>
Net Cash Provided by Operating Activities	<u>44,596</u>
Net Increase in Cash	<u>44,596</u>
Cash and Cash Equivalents, Beginning of Year	<u>37,411</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 82,007</u></u>

OCEAN FOREST CLUB, INC.
d.b.a. OCEAN FOREST CLUB HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008
(SEE AUDITOR'S REPORT)

NOTE A - NATURE OF ORGANIZATION

Ocean Forest Club, Inc. ("the Association") is a not-for-profit association incorporated and existing under the laws of the State of South Carolina. The purpose of the Association is the administration, maintenance, management, ownership and control of the common and limited common areas of Ocean Forest Club, a timeshare development located in Myrtle Beach, South Carolina. At December 31, 2008, the development consisted of seven (7) detached residential units and one (1) swimming pool operated as a timeshare resort. The Association began its operations on August 20, 1980.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they become due. Expenses are recognized in the period in which the related liability is incurred.

Common Property

Real property owned by individual timeshare unit owners in common and improvements made by the Association to such property are not capitalized in the financial statements. Real property and personal property acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual timeshare unit owners in common and not by the Association. All expenditures for real property common elements and improvements are reflected as an expense in the period incurred. Common real property and personal property elements not recognized as assets in the financial statements consist primarily of seven (7) detached residential units completely furnished, common land areas and one (1) swimming pool.

Assessments Receivable - Members

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments Receivable - Members at the balance sheet date represent assessments due from members.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2008
(SEE AUDITOR'S REPORT)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual budget and owners' assessments are determined by the Board of Directors to provide for current operating expenditures and required funds for future major repairs and replacements. The Association retains excess operating funds at the end of the year, if any, for use in the subsequent year.

Allowance for Doubtful Accounts and Bad Debts

The Association utilizes the allowance method of accounting for member assessments deemed uncollectible. The Association's Allowance for Doubtful Accounts at December 31, 2008, was approximately \$13,195.

Cash and Cash Equivalents

The Association considers certificates of deposit to be cash equivalents.

Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2008. Under the section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and 5% by the state.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Association's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements, however, nothing prohibits the Board of Directors from applying these funds to meet other requirements of the Association in operating and managing the project.

At December 31, 2008, the Association had not initiated a study to determine the estimated remaining useful lives of the components of common property and current estimates of cost of major repairs and replacements that may be required in the future. The Association has also not finalized a plan to fund those needs. It is the Association intent to fund major repairs and replacements over the estimated useful lives of the components. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. At December 31, 2008, the Association had not designated any amounts for future repairs and replacements.

If additional funds are needed, however, the Association has the right to increase regular assessments or levy a special assessment subject to the assent of its members, or it may delay major repairs and replacements until funds are available.

NOTE D - CONTINGENCIES

The Association is a part to various legal actions normally associated with homeowners associations, such as collection for delinquent assessments and covenant compliance matters, the aggregate effect of which, in managements's opinion, would not be material to the future financial condition of the Association.