Note A - Nature of Organization

Palmira Golf and Country Club Master Homeowners Association, Inc. (the "Master Association") was incorporated on March 7, 2001 in the State of Florida. The Master Association is responsible for the operation and maintenance of the common property within the Palmira Golf and Country Club residential community. The development consists of 821 residential units and lots located in a gated community in Bonita Springs, Florida.

Note B - Summary of Significant Accounting Policies

Combined Financial Statements

The financial statements of the Master Association include the accounts of the Master Association and the accounts of the Renaissance Center at Palmira, Inc. (the "Renaissance Center"). See Note D - Commitments and Contingencies below.

Fund Accounting

The Master Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes into 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 Master Association.
>
> Renaissance Fund - This fund is used to account for the the financial resources available for the operations of the Renaissance Center.
>
> Reserve Fund - This fund is used to accumulate financial resources designated for paying the estimated costs of future major repairs and replacements. Reserve Fund cash is held in separate bank accounts and is not available for other purposes

Member Assessments

Master Association members are the 16 homeowner and condominium associations comprising the Palmira Golf and Country Club residential community. Member associations are subject to quarterly assessments, based on the number of Contributing Units (Dwelling Units and Lots on which a single Dwelling Unit may be constructed) within each association, to provide funds for the Master Association's operating expenses, and the estimated costs of future major repairs and replacements.

Any excess assessments for operating expenses at year end are retained by the Master Association and considered when setting operating assessments for the subsequent year.

Future Major Repairs and Replacements

The Master Association's governing documents permit the board of directors to assess member associations for the estimated costs of future major repairs and replacements. Commencing in 2009, the estimated current costs for future major repairs and replacements, less the amount of cash available in the Reserve Fund, are being assessed to members over the weighted average remaining life of the common property.

Note B - Summary of Significant Accounting Policies, continued

Interest Income

Each fund has separate bank accounts and interest earned is retained by the applicable fund.

Income Taxes

The Master Association may be taxed as either a homeowners association or as regular corporation. The Renaissance Center is taxable as a regular corporation. Generally, if appropriate elections are made, membership income of the Master Association is not taxable and income taxes are payable only on non-membership income, such as interest income and income from non-member usage of facilities.

Property and Equipment

The Master Association and the Renaissance Center capitalize all property and equipment to which they have title with the exception of common real property directly associated with the development. At December 31, 2011, property not capitalized consists of guardhouse buildings, street lights, irrigation pumps, fountains, sidewalks, roads, parking lots and greenbelts. According to the Master Association's governing documents, two-thirds of all members must approve the disposition of any common real property.

Property and equipment acquired by the Master Association and the Renaissance Center are recorded at cost.

Depreciation

Capitalized property and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

Cable Liability

The Master Association, in its capacity as agent for the member homeowner and condominium associations, bills the member associations for cable services. Cable invoices from the cable provider are then paid by the Master Association. See Note D.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Note C - Reserve Fund

In early 2008, management obtained quotes from qualified vendors to estimate the remaining useful lives and the then current replacement costs of the components of common property. The quotes were obtained from licensed contractors who inspected the property. Based on the study, the estimated costs to repair or replace the common property components were $1,776,000. The estimated replacement costs did not take into account the effects of inflation between the dates of the estimates and the estimated dates that the components will require repair or replacement.

Note C - Reserve Fund, continued

Management has recently re-evaluated the common property components of the reserve fund, and for 2012 budget purposes, has (1) added the estimated costs of replacing Renaissance Center Club equipment and future major maintenance projects, and (2) the estimated the effects of inflation upon prior estimates. Management expects to complete a more comprehensive review of the reserve fund requirements duing 2012.

The following information is based on the study and presents information about the components of common property.

Components	Remaining Life (Years)	Estimated Replacement Cost
Guardhouse buildings (2)	31	$ 418,000
Guardhouse roofs (2)	12	90,000
Irrigation pumps (4)	6	132,000
Driving range fountains	3	59,000
Blk fountain	6	28,000
Road paving	16	747,000
Decorative street lights	13	534,000
East Gate	19	80,000
RCC equipment	5	250,000
RCC building / grounds maintenance	10	250,000
		$ 2,588,000

Note D - Commitments and Contingencies

The Master Association, through the Renaissance Center at Palmira, Inc., a related entity, has leased the Renaissance Center Club and the associated furniture and fixtures from Palmira Golf and Country Club, Inc. (the "Club") under a 50-year net lease ending March 4, 2059. Pursuant to the lease the Renaissance Center must pay all operating and maintenance costs relating to the Renaissance Center, including insurance and real estate taxes, plus $2,120 per month, commencing July 1, 2009, for the initial 60-month term of the lease. After 60 months and for the remainder of the lease term, the monthly rent will be reduced to $10 per year. For 2011 the Renaissance Center paid net rent to the Club of $25,440.

The neighborhood homeowner and condominium associations' are party to a Bulk Cable Television Service and Easement Agreement with Comcast. The Agreement gives Comcast the exclusive rights to install, construct, operate, maintain, repair, upgrade, replace and remove a cable communications system and to market and deliver cable services to the Palmira Golf and Country Club residential community. The initial term of a10-year agreement ended on August 28, 2011 and was replaced by a new 10-year agreement that expires on January 1, 2022. Monthly fees under the new agreement may be increased by Comcast upon 30 days notice, but any increases are subject to a 3% annual maximum.

The Master Association and the Renaissance Center have management agreements with KEB Management Services LLC. The agreements are for one year terms ending on May 31, 2012 and October 31, 2012, respectively. Monthly fees under the agreements are $7,260 and $2,600, respectively.