LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

FEBRUARY 29, 2020 AND FEBRUARY 28, 2019



LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

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ACCOUNTANT'S COMPILATION REPORT

Board of Directors
Lake Santee Property Owners Association, Inc.
Greensburg, Indiana

Management is responsible for the accompanying financial statements of Lake Santee Property Owners Association, Inc., which comprise the balance sheets as of February 29, 2020 and February 28, 2019, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Alerding CPA Group

June 30, 2020

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS
FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

ASSETS

	2020			2019
	Operating Fund	Replacement Fund	Total	
Current Assets:				
Cash and cash equivalents	$ 365,631	$ -0-	$ 365,631	$ 390,022
Investments	62,358	216,749	279,107	202,696
Dues and assessment receivables	49,180	-0-	49,180	70,190
Lots and lot deposits	6,078	-0-	6,078	4,455
Total current assets	483,247	216,749	699,996	667,363
Property and Equipment:				
Land and land improvements	742,657	-0-	742,657	730,907
Bridges	203,557	-0-	203,557	203,557
Buildings and tennis courts	416,582	-0-	416,582	400,272
Maintenance and restaurant equipment	658,751	-0-	658,751	637,643
Office equipment	17,637	-0-	17,637	17,987
	2,039,184	-0-	2,039,184	1,990,366
Accumulated depreciation	(796,178)	-0-	(796,178)	(764,045)
Property and equipment, net	1,243,006	-0-	1,243,006	1,226,321
Deferred Tax Asset	34,661	-0-	34,661	39,457
	$ 1,760,914	$ 216,749	$ 1,977,663	$ 1,933,141

LIABILITIES AND FUND BALANCES

Current Liabilities:				
Accounts payable	$ 650	$ -0-	$ 650	$ 10,654
Payroll liabilities	25,557	-0-	25,557	27,056
Accrued property tax	3,755	-0-	3,755	3,963
Damage deposit	-0-	-0-	-0-	2,000
Dues and assessments received in advance	142,349	-0-	142,349	94,199
Total current liabilities	172,311	-0-	172,311	137,872
Fund Balances:				
Operating fund	1,588,603	-0-	1,588,603	1,571,220
Replacement reserve funds:				
Equipment replacement reserve	-0-	70,817	70,817	55,817
Erosion control reserve	-0-	14,147	14,147	14,147
Road paving reserve	-0-	2,176	2,176	69,476
Dredging reserve	-0-	129,609	129,609	84,609
Total fund balances	1,588,603	216,749	1,805,352	1,795,269
	$ 1,760,914	$ 216,749	$ 1,977,663	$ 1,933,141

See Accountant's Compilation Report.
See accompanying Notes to Financial Statements.

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

	2020	2019
Revenues:		
Contract revenues:		
Dues and assessments	$ 579,439	$ 582,336
Management and facilities fees	209,532	197,286
Boat permits	50,266	50,695
Mowing	14,135	13,779
Rental income	5,293	6,037
Trash bag sales	19,509	16,853
Cart fees	11,590	10,500
Slip fees	25,325	23,650
Total contract revenues	915,089	901,136
Non-contract revenues:		
Delinquent fees	13,817	10,975
Interest and dividend income	10,011	8,902
Gain on sale of lots and assets	2,088	10,797
Realized and unrealized loss on investments	(4,753)	(2,425)
Other	41,943	28,741
Total non-contract revenues	63,106	56,990
Total revenues	978,195	958,126
Operating Expenses:		
Maintenance	326,065	273,373
Administrative	277,242	278,131
Security	91,842	112,168
Recreation	9,881	8,680
Lake and beach	57,702	60,251
Community building	16,903	15,417
Trash	22,415	21,630
Sewer	84,120	47,478
Water	77,146	38,231
Total operating expenses	963,316	855,359
Excess of revenues over expenses before inome taxes	14,879	102,767
Income Tax Expense	(4,796)	(15,482)
Excess of revenues over expenses	10,083	87,285
Fund Balances, Beginning of Year	1,795,269	1,707,984
Fund Balances, End of Year	$ 1,805,352	$ 1,795,269

See Accountant's Compilation Report.
See accompanying Notes to Financial Statements.

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

	2020	2019
Cash Flows From Operating Activities:		
Excess of revenues over expenses	$ 10,083	$ 87,285
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	44,816	42,790
(Gain) loss on disposal of assets	1,320	(3,714)
Donated equipment	(9,801)	-0-
Unrealized loss on investments	4,753	39,344
Realized gain on investments	-0-	(36,919)
Deferred income taxes	4,796	15,482
Changes in assets and liabilities:		
Dues and assessment receivables	21,010	(8,680)
Lots and lot deposits	(1,623)	(3,058)
Accounts payable	(10,004)	4,625
Dues and assessments received in advance	48,150	(6,615)
Other liabilities	(3,707)	13,011
Net cash provided by operating activities	109,793	143,551
Cash Flows From Investing Activities:		
Proceeds from sale of assets	-0-	8,009
Acquisition of property and equipment	(53,020)	(92,104)
Purchases of investments	(262,528)	(87,136)
Proceeds received from sale of investments	181,364	112,867
Net cash used in investing activities	(134,184)	(58,364)
Net increase (decrease)	(24,391)	85,187
Cash and Cash Equivalents, Beginning of Year	390,022	304,835
Cash and Cash Equivalents, End of Year	$ 365,631	$ 390,022

See Accountant's Compilation Report.
See accompanying Notes to Financial Statements.

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Santee Property Owners Association, Inc., (the "Association"), located in Greensburg, Indiana was formed to own, manage, maintain, reserve, repair, and reconstruct the Community Area and Common Facilities and to provide architectural control of the Lots at Lake Santee. Its members are property owners of the Lake Santee Subdivision, a private residential community located on 1,256 acres in Decatur County, Indiana. The subdivision is comprised of 1,680 lots platted around a 250-acre lake. In addition, the Association is formed for the promotion of the health, safety, and welfare of the owners of Lots at Lake Santee, their tenants, and for other nonprofit purposes.

The significant accounting policies followed by the Association in the preparation of its financial statements are summarized below:

Change in Accounting Principle

During 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America ("U.S. GAAP"). The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the new standard effective March 1, 2019, using the full retrospective method.

As part of the adoption of the ASU, the Association elected the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Association expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The majority of the Association's revenue subject to the ASU is recognized at a point in time when earned or received from dues and assessments and management and facilities fees. In addition, the majority of the Association's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients. Based on the Association's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the ASU adoption.

Fund Accounting

The Association has an Operating Fund and a Replacement Fund. Member assessments for operating purposes are set annually by the Board of Directors as part of the budget preparation process. Special assessments, if required for expensive projects, are required to be approved by a simple majority vote of the Members.

The Operating Fund is an unrestricted fund to account for administrative and operating costs as well as general maintenance of common areas of the community.

The Replacement Fund is a board designated fund for major repairs or capital improvements to the community. Expenditures from the Replacement Fund must be initiated and approved by the Board of Directors.

Cash and Cash Equivalents

Cash and cash equivalents include general checking and money market funds.

Investments

The Association values investments at fair value for financial reporting purposes. Realized gains and losses are determined on a first-in, first-out ("FIFO") basis.

Revenue Recognition

For contracts with customers, the Association derives its revenues primarily from dues and assessments and management and facilities fees. Dues and assessments are invoiced in advance of the year to which they relate and are non-refundable. Accordingly, dues and assessments revenue are recognized March 1st of each fiscal year. Management and facilities fees and other contract revenues are recognized within the month services are performed. Contract revenues are recognized in an amount that reflects the consideration the Association expects to be entitled to in exchange for the services. Incidental items that are immaterial in the context of the contract are recognized as expense. The Association does not have any significant financing components as payment is received at or shortly after customers are invoiced. Costs incurred to obtain a contract are expensed as incurred.

Disaggregation of Revenues from Contracts with Customers

All of the Association's revenues are from performance obligations satisfied at a point in time and, accordingly, no revenues are from performance obligations satisfied over time.

Performance Obligations

Revenues are recognized at the point in time when the contract performance obligations are satisfied as services are provided.

Variable Consideration

The nature of the Association's business and customer contracts does not give rise to significant variables of the total amount of the contract price. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Dues and Assessment Receivables

Dues and assessment receivables are reported at the amount invoiced, and primarily include unpaid dues and assessments. At thirty days past due, the property owner is assessed a 10% penalty, and beginning sixty days past due, interest at 1½% is charged monthly for the next twelve months. At the discretion of Management, the Association may place a lien on the assessed property for unpaid dues and assessments or may pursue collections by use of legal services. Management periodically reviews unpaid dues and assessment receivables, and those determined to be uncollectible are written off to bad debt expense. Bad debt expense was $28,991 and $8,807 for the years ended February 29, 2020 and February 28, 2019, respectively, and is included in administrative expenses.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Major repairs to property and equipment are capitalized while minor repairs are expensed as incurred. The Association provides for depreciation of property and equipment for financial reporting purposes using the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives. The ranges of estimated useful lives are as follows:

Description	Ranges of useful lives
Bridges	50 years
Buildings and tennis courts	15 - 40 years
Maintenance and restaurant equipment	5 - 39 years
Office equipment	5 - 10 years

Depreciation expense was $44,816 and $42,790 for the years ended February 29, 2020 and February 28, 2019, respectively, and is included in administrative expense.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 sales and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring the use of significant estimates include the collectability of dues and assessment receivables and deferred tax assets and liabilities, and depreciable lives of property and equipment.

Income Taxes

Homeowners' associations may be taxed as homeowners' associations or as a Corporation. If the Association elects to be taxed as a homeowners' association, they acquire a tax-exempt status for those years. For the years ended February 29, 2020 and February 28, 2019, the Association elected to be taxed as a Corporation (Note 4).

Management of the Association evaluates all significant income tax positions as required by U.S. GAAP. As of February 29, 2020, Management does not believe the Association has taken any income tax positions that would require the recording of an income tax liability, nor do they believe that there are any unrealized income tax benefits that would be realized within the next twelve months. The Association's Federal and various state income tax returns remain open and subject to examination beginning with the tax year ended February 29, 2016.

Subsequent Events

Subsequent events have been evaluated through June 30, 2020 which is the date the financial statements were available for issuance (Note 7).

2. CONTRACT ASSETS AND LIABILITIES

The Association's contract assets and liabilities consist of the following as of February 29, 2020 and February 28, 2019:

	2020	2019
Dues and assessment receivables:		
Beginning of year	$ 70,190	$ 61,510
End of year	$ 49,180	70,190
Dues and assessments received in advance :		
Beginning of year	$ 94,199	$ 100,814
End of year	$ 142,349	94,199

3. INVESTMENTS

At February 29, 2020 and February 28, 2019, the Association's assets measured at fair value on a recurring basis include investments and have been measured by Level 1 inputs of the fair value hierarchy, valued at the closing price reported on the active market in which the individual securities are traded.

The following is a description of the valuation methodology used for the Association's investment measured at fair value as of February 29, 2020 and February 28, 2019. There has been no change in the methodology used as of February 29, 2020.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Association are deemed to be actively traded. A money market fund is an open-ended mutual fund that invests in short-term debt securities and commercial paper.

The following is a summary of the Association's investments:

February 29, 2020

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 145,475	$ 145,475	$ -0-
Mutual funds	134,218	133,632	(586)
Total investments	$ 279,693	$ 279,107	$ (586)

February 28, 2019

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,367	$ 1,367	$ -0-
Certificates of deposit	70,000	69,888	(112)
Mutual funds	127,162	131,441	4,279
Total investments	$ 198,529	$ 202,696	$ 4,167

All liquid investments with original maturity dates of three months or less are classified as cash equivalents. The investments may be liquidated for use in general operations at the discretion of Management.

4. INCOME TAXES

Income tax expense includes the following:

	2020	2019
Federal:		
Current	$ -0-	$ -0-
Deferred	(3,325)	(6,572)
	(3,325)	(6,572)
State:		
Current	-0-	-0-
Deferred	(1,471)	(8,910)
	(1,471)	(8,910)
Income Tax Expense	$ (4,796)	$ (15,482)

The difference between the actual income taxes and the amount obtained by applying the Federal statutory rate to the income before income taxes relates primarily to the effect of non-taxable unrealized gains and losses on investments and the deduction for Federal tax purposes of state income taxes. At February 29, 2020, the Association has approximately $261,000 of net operating loss carry forwards available to offset future Federal taxable income which begin to expire in the fiscal year ending February 29, 2032.

The components of the deferred income tax asset include the following:

	2020	2019
Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Investments	$ 1,317	$ 10,904
Book depreciation in excess of tax depreciation	(38,872)	(30,129)
Net operating losses	72,216	58,682
	$ 34,661	$ 39,457

5. MANAGEMENT AND FACILITIES FEES

Under the terms of a Management and Facilities Agreement, the Association provides operational and administrative services, office space, supplies and equipment to Lake Santee Regional Waste & Water District (the "District") requiring monthly payments to the Association aggregating $17,461 and $16,441 for the years ending February 29, 2020 and February 28, 2019, respectively. The agreement is subject to renewal annually, and has been renewed for fiscal year 2020, and may be terminated by either party with 90 days notice. The District paid $209,532 and $197,286 to the Association during the years ended February 29, 2020 and February 28, 2019, respectively.

6. CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

The Association maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the Federally insured limit. The Association has not experienced any losses in such accounts, and Management does not believe the Association is exposed to any significant credit risk on cash and cash equivalents.

Revenue

For the years ended February 29, 2020 and February 28, 2019, twenty-one (21) percent of total revenues were from the District under the annual Management and Facilities Agreement (Note 5).

7. SUBSEQUENT EVENT

COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The effects of COVID-19 will likely adversely impact local, national and global economies. The extent to which COVID-19 impacts the Association's operations is dependent on the breadth and duration of the pandemic and could be affected by other factors Management is not currently able to predict. Potential impacts could include, but are not limited to, reduced contract revenues, shortages in personnel and decreases in the value of the Association's investments.