Lake Santee Property Owners Association, Inc. and Lake Santee Marina, LLC

Consolidated Financial Statements

For the Years Ended
February 28, 2023 and 2022

RBSK PARTNERS PC
CPAs & Advisors ▪ Technology Consulting

Lake Santee Property Owners Association, Inc.
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February 28, 2023 and 2022

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Accountant's Compilation Report

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

Management is responsible for the accompanying financial statements of Lake Santee Property Owners Association, Inc. (a corporation) and its subsidiaries which comprise the consolidated balance sheets as of February 28, 2023 and 2022, and the related consolidated statements of revenues and expenses, 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 consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provide by management. We do not express an opinion, a conclusion, nor provide any assurance on these consolidated financial statements.

Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 17-24 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the information.

We are not independent with respect to Lake Santee Property Owners Association, Inc.

RBSK Partners pc

Greensburg, Indiana
June 27, 2023

Lake Santee Property Owners Association, Inc.
Consolidated Balance Sheets

February 28,

	2023	2022
Assets		
Current assets:		
Cash & cash equivalents	**$ 354,363**	$ 405,834
Investments	**471,916**	287,865
Dues and assessments receivables	**39,623**	15,887
Total current assets	**865,902**	709,586
Property and equipment - at cost:		
Land and land improvements	**746,697**	745,697
Bridges	**203,557**	203,557
Buildings and tennis courts	**1,056,005**	416,582
Maintenance and restaurant equipment	**768,678**	707,665
Office Equipment	**28,002**	28,002
	2,802,939	2,101,503
Less - accumulated depreciation	**951,692**	894,211
Property and equipment, net	**1,851,247**	1,207,292
Intangible assets, net	**191,111**	---
Deferred tax asset	**---**	6,052
Total Assets	**$ 2,908,260**	$ 1,922,930

Notes to financial statements are an integral part of these statements
See accompanying accountant's compilation report

(Continued)

Lake Santee Property Owners Association, Inc.
Consolidated Balance Sheets *(Continued)*

February 28,

	2023	2022
Liabilities		
Current Liabilities		
Accounts payable	**$ 14,540**	$ ---
Current portion of long-term notes payable	**55,917**	---
Accrued payroll and vacation	**41,757**	37,340
Accrued property taxes	**4,980**	5,334
Sales tax payable	**505**	---
Dues and assessments received in advance	**179,332**	6,892
Total current liabilities	**297,031**	49,566
Long-term notes payable, less current above	**437,734**	---
Deferred tax liability	**29,201**	---
Total liabilities	**763,966**	49,566
Fund Balances		
Operating Fund	**1,688,807**	1,607,777
Replacement reserve funds		
Equipment replacement reserve	**78,783**	91,283
Erosion control reserve	**12,999**	10,999
Road paving reserve	**93,229**	63,229
Dredging reserve	**167,676**	97,676
Court improvements reserve	**4,800**	2,400
Silt and sediment reserve	**98,000**	---
Total Fund Balances	**2,144,294**	1,873,364
Total Liabilities and Members' Equity	**$ 2,908,260**	$ 1,922,930

Notes to financial statements are an integral part of these statements
See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidated Statements of Revenues, Expenses

For the years ended February 28,

	2023	2022
Revenue		
Contract Revenues		
Dues and assessments	**$ 974,526**	$ 630,983
Management and facilities fees	**222,855**	215,569
Boat permits	**67,477**	67,200
Mowing	**10,265**	12,025
Rental income	**2,400**	5,600
Trashbag sales	**33,757**	29,152
Cart fees	**15,600**	14,800
Slip fees	**52,050**	39,200
Marina sales	**89,665**	---
Total contract revenues	**1,468,595**	1,014,529
Non-contract revenues		
Delinquent fees	**10,900**	7,105
Interest and dividend income	**10,735**	11,152
Gain on sale of lots and assets	**106,238**	---
Realized and unrealized gain(loss) on investments	**(16,187)**	9,773
Other	**30,762**	32,670
Total non-contract revenues	**142,448**	60,700
Total revenues	**1,611,043**	1,075,229
Operating Expenses		
Maintenance	**288,686**	214,976
Administrative	**324,398**	284,424
Security	**113,046**	111,225
Recreation	**12,998**	13,110
Lake and beach	**255,242**	290,330
Community building	**21,540**	19,334
Trash	**53,327**	27,684
Interest	**13,657**	---
Marina	**6,744**	---
Marina Wages	**35,624**	---
Sewer Wages	**95,010**	95,002
Water Wages	**84,588**	79,873
Total expenses	**1,304,860**	1,135,958
Excess (deficit) of revenues over expense before income taxes	**306,183**	(60,729)
Income Tax Benefit (Expense)	**(35,253)**	9,487
Excess (deficit) of revenues over expenses	**270,930**	(51,242)
Fund Balances, Beginning of Year	**1,873,364**	1,924,606
Fund Balances, End of Year	**$ 2,144,294**	$ 1,873,364

Notes to financial statements are an integral part of these statements
See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidated Statements of Changes in Fund Balances

For the years ended February 28,

	Lake Santee Property Owners Association, Inc.				
	Undesignated	Designated for Future Repairs and Replacements	Total	Lake Santee Marina, LLC	Total
Fund Balances, February 28, 2021	$ 1,781,966	$ 142,640	$ 1,924,606	$ ---	$ 1,924,606
Change in Undesignated Fund Balances	(51,242)	---	(51,242)	---	(51,242)
Allocated to future repairs and replacements - Repairs made	(122,947)	122,947	---	---	---
Fund Balances, February 28, 2022	1,607,777	265,587	1,873,364	---	1,873,364
Change in Undesignated Fund Balances	**168,859**	**---**	**168,859**	**102,071**	**270,930**
Allocated to future repairs and replacements - Repairs made	**(189,900)**	**189,900**	**---**	**---**	**---**
Fund Balances, February 28, 2023	**$ 1,586,736**	**$ 455,487**	**$ 2,042,223**	**$ 102,071**	**$ 2,144,294**

Notes to financial statements are an integral part of these statements
See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidated Statements of Cash Flow

For the years ended February 28,

	2023	2022
Cash Flows from Operating Activities		
Excess (deficit) of revenues over expenses	$ 270,930	$ (51,242)
Adjustments to reconcile change in net assets to net expenses to net cash provided by operating activities		
Depreciation and amortization	66,370	53,520
Gain on sale of assets	(106,238)	---
Unrealized (gain) loss on investments	16,187	(9,773)
Deferred income taxes	23,292	(18,936)
Changes in assets and liabilities		
Dues and assessment receivables	(23,736)	4,234
Accounts Payable	14,540	(1,116)
Dues and assessments received in advance	172,440	(49,470)
Other liabilities	4,568	20,708
Net cash provided by (used in) operating activities	438,353	(52,075)
Cash Flows from Investing Activities		
Purchase of property and equipment	(901,436)	(27,695)
Purchase of investments	(189,900)	(10,770)
Proceeds received from sale of assets	106,238	---
Proceeds received from sale of investments	1,623	94,600
Net cash provided by (used in) investing activities	(983,475)	56,135
Cash Flows from Financing Activities		
Proceeds from notes payable	615,000	---
Repayment of note payables	(121,349)	---
Net cash provided by financing activities	493,651	---
Net Increase in Cash and Cash Equivalents	(51,471)	4,060
Cash and Cash Equivalents at Beginning of Year	405,834	401,774
Cash and Cash Equivalents at End of Year	354,363	405,834
Summary of Cash Accounts		
Undesignated	354,363	405,834
Designated for future repairs and replacements	---	---
	$ 354,363	$ 405,834
Supplemental Cash Flow Disclosures:		
Interest paid	$ 13,657	$ ---
Income taxes paid	---	9,449

Notes to financial statements are an integral part of these statements
See accompanying accountant's compilation report

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Lake Santee Property Owners Association, Inc., (hereinafter referred to as the "Association") and its wholly owned subsidiary, Lake Santee Marina, LLC ("Marina"), is presented to assist in understanding the Association's financial statements. The financial statements and notes are the representations of Association's management, who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP") and have been consistently applied in the preparation of the financial statements.

The Association is 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 formed for the promotion of health, safety, and welfare of the owners of lots at Lake Santee, their tenants, and for other nonprofit purposes. The Marina is located within the Association as was purchased to operate the lake's marina for the benefit of its member.

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America ("US 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 assessments receivables and deferred tax assets and liabilities, and depreciable lives of property and equipment.

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.

(Continued)

1. Summary of Significant Accounting Policies *(Continued)*

Cash and Cash Equivalents

The Association considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less, when purchased, to be cash equivalents. There were no cash equivalents at February 28, 2023 and 2022.

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 involved are invoiced in advanced of the year to which they related 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 withing 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 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 expenses 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 service 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 contract price.

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

(Continued)

1. Summary of Significant Accounting Policies *(Continued)*

Dues and Assessment Receivables *(Continued)*

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 $1,100 and $7,312 for the years ended February 28, 2023 and 2022 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
equipment	5-39 years
Office equipment	3-10 years

Depreciation expense was $57,481 and $53,520 for the years ended February 28, 2023 and 2022 respectively, and is included in administrative expense.

Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the years ended February 28, 2023 and 2022. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions. For federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods.

The Association has the option to file form 1120 or 1120-H, whichever is more tax advantageous on a given year. The 1120-H which has a flat tax of 30% applied to net taxable income. For state income tax purposes, the Association is also taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists.

(Continued)

1. Summary of Significant Accounting Policies *(Continued)*

Income Taxes *(Continued)*

Non-membership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 5.375%. For the year ended February 28, 2023, the Association elected to be taxed as Homeowner's Association and for 2022 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 28, 2023, 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 28, 2019.

Advertising Costs

Advertising costs are expensed as incurred. During the years ended February 28, 2023 and 2022 adverting expenses were $627 and $918, respectively.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year from the date the consolidated financial statements are issued.

Subsequent Events

The Association evaluated subsequent events of the funds through the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

Recent Accounting Pronouncement

Effective February 28, 2022, the Company adopted FASB ASC 842, Leases (Topic 842). The intent of Topic 842 is to increase transparency and comparability among organizations by requiring (1) recognition of lease assets and lease liabilities on the balance sheet and (2) disclosure of key information about leasing arrangements. Some changes to the lessor accounting guidance were made to align both of the following: (1) the lessor accounting guidance with certain changes made to the lessee accounting guidance and (2) key aspects of the lessor accounting model with revenue recognition guidance. The Company adopted Topic 842 at the required adoption date of January 1, 2022, using the transition method that allowed us to initially apply Topic 842 as of January 1, 2022 and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company used the package of practical expedients permitted under the transition guidance that allowed us to not reassess: (1) whether any expired or existing contracts are

(Continued)

1. Summary of Significant Accounting Policies *(Continued)*

Recent Accounting Pronouncement

or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases.

The Company did not recognize any adjustment to the opening balance of retained earnings upon adoption. Because of the transition method used to adopt the new standard, Topic 842 was not applied to periods prior to adoption and the adoption of Topic 842 had no impact on previously reported results.

Leases as lessor
The Association owns a community room that it leases to tenants on a day-to-day basis and restaurant space it leases on a month-to-month basis. In accordance with Topic 842, these leases are accounted for as operating leases. The lease terms are included in the lease contract and the determination of whether the contracts contain leases generally does not require significant assumptions or judgments. The lease revenue does not include any variable payments. The lease agreements do not provide renewal options (other than day-to-day and month-to-month) and do not provide an option for the lessee to purchase the property at the end of the lease. There were no significant changes to the Utility's revenue accounting upon adoption of Topic 842. Rental income was not material for the years ended February 28, 2023 and 2022.

2. Contract Assets and Liabilities

The Association's contract assets and Liabilities consist of the following as of February 28, 2023 and 2022:

		2023		2022
Dues and assessment receivables:				
Beginning of the year	$	15,887	$	20,121
End of the year	$	39,623	$	15,887
Dues and assessment received in advance:				
Beginning of the year	$	6,892	$	56,362
End of the year	$	179,332	$	6,892

3. Investments and Fair Value Measurement

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy. Accounting standards require the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

(Continued)

3. Investments and Fair Value Measurement *(Continued)*

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect that reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability.

Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determinations of fair value requires significant management judgment or estimation.

At February 28, 2023 and 2022, the Association's assets measured at fair value on a recurring basis include investments and have been measure 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 measure at fair value as of February 28, 2023 and 2022. There has been no change in the methodology used as of February 28, 2022.

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 assets value ("NAV") and to transact at that price. A money market funds 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 28, 2023

	Cost	Market	Unrealized Gain (Loss)
equivalent	$ 306,622	$ 306,622	$ ---
Mutual funds	161,306	165,294	3,988
Total Investments	$ 467,928	$ 471,916	$ 3,988

February 28, 2022

	Cost	Market	Unrealized Gain (Loss)
equivalent	$ 116,985	$ 116,985	$ ---
Mutual funds	152,383	170,880	18,497
Total Investments	$ 269,368	$ 287,865	$ 18,497

(Continued)

3. Investments and Fair Value Measurement *(Continued)*

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 secretion of management.

4. Income Taxes

Income tax expense includes the following:

	2023	2022
Federal:		
Current	$ ---	$ ---
Deferred	(35,146)	16,466
	(35,146)	16,466
State:		
Current	---	(9,449)
Deferred	(107)	2,470
	(107)	(6,979)
Income Tax Benefit (Expense)	$ (35,253)	$ 9,487

The difference between the actual income taxes and the mount 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 28, 2023, the Association utilized all of their federal net operating loss carry forwards available.

The components of the deferred income tax asset (liability) include the following:

	2023	2022
Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Investments	$ 4,026	$ (2,440)
Book depreciation in excess of tax depreciation	(35,267)	(27,084)
Net Operating Losses	2,040	35,576
	$ (29,201)	$ 6,052

(Continued)

5. Long-term Notes Payable

Notes payable consisted of the following at February 28:

	2023	2022
4.25% note payable to bank, payable in monthly installments of $6,318 including interest. Final payment due July 2032. Secured by real estate with a carrying amount of $635,841.	$ 493,651	$ ---
Total	493,651	---
Less – current portion	55,917	---
Non-current portion	$437,734	---

Future minimum principal payments for the next five years are as follows:

2024	$55,917
2025	58,340
2026	60,868
2027	63,506
2028	66,258

6. Goodwill

Changes in the gross carrying amounts of goodwill, accumulated amortization, and accumulated impairment loss consisted of the following at February 28:

	2023	2022
Goodwill:		
Balance at beginning of year	$ ---	$ ---
Goodwill acquired related to Lake Santee Marina	200,000	---
Balance at end of year	200,000	---
Accumulated amortization of goodwill:		
Balance at beginning of year	$ ---	$ ---
Amortization expense	8,889	---
Balance at end of year	8,889	---

The Association has had no impairment losses in the current or prior years related to goodwill. The Association amortizes goodwill on the straight-line method over ten years unless a shorter useful life can be demonstrated. The amortization period assigned to goodwill associated with the 2022 acquisition of the Lake Santee Marina is ten years.

(Continued)

7. Concentration of Credit Risk

Cash and Cash Equivalent

The Association maintains its cash and cash equivalents in bank deposits 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

A substantial portion of the Association's revenue and assessments receivable are from members located in Decatur County, Indiana and are limited to the 1,680 lot. This could affect the Association's overall exposure to credit risk inasmuch as these members could be affected by similar economic or other conditions.

Also, for the years ended February 28, 2023 and 2022, twenty (20) percent for of total revenues were from the District under the annual Management and Facilities Agreement (Note 5).

8. Defined Contribution Plan

Starting October 2013, the Association adopted a defined contribution plan (the Plan) covering all employees who agree to make contributions to the Plan. The Plan is a SIMPLE plan as defined by Section 408(p) of the Internal Revenue code. The Association matches contributions to the Plan each year under the rules defined by the Internal Revenue code.

The Association has elected a matching contribution equal to the employee's salary reduction contributions up to a limit of 3%. Total expense to the Association for the years ended February 28, 2023 and 2022, was $8,441 and $6,761, respectively.

9. 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 $18,473 and $17,964 for the years ended February 28, 2023 and 2022 respectively. The agreement is subject to renewal annually and has been renewed for the fiscal year 2023, may be terminated by either party with 90 days' notice. The District paid $222.855 and $215,569 to the Association during the years ended February 28, 2023 and 2022, respectively

10. Rental Income

The community room and restaurant space rental houses are leased to tenants under operating leases on day-to-day and month-to-month terms, respectively. Rent income was $5,735 and $8,173 for the years ended February 28, 2023 and 2022. The components of rental revenue for the years ended February 28, 2023 and 2022 consisted entirely of fixed lease payments.

(Continued)

11. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which total approximately $455,487 and $265,587 at February 28, 2023 and 2022, are required to be held in separate accounts and are generally not available for operating purposes. It is the Association's policy that interest earned on such funds is available for operating purposes. At February 28, 2023 and 2022, the accumulated funds were held in a separate account from operating funds.

The Association's board of directors conducted a study in April 2021 to estimate the remaining useful lives and the replacement costs of the common property components and updated this study as of February 2023. The estimates were determined by a designated group of board of directors. The table included in the supplementary information on Future Major Repairs and Replacements is based on this study.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously designated for future repairs and replacements. 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. 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.

(Continued)

Supplementary Information

Lake Santee Property Owners Association, Inc.
Consolidating Balance Sheet

February 28,

	2023					
	Property Owners Association					
	Operating Fund	Replacement Fund	Total	Marina	Consolidating Entries	Total
Assets						
Current assets:						
Cash & cash equivalents	$ 342,458	$ ---	$ 342,458	$ 11,905	$ ---	$ 354,363
Investments	16,429	455,487	471,916	---	---	471,916
Dues and assessments receivables	31,021	---	31,021	8,602	---	39,623
Other receivables - related party	291,942	---	291,942	---	(291,942)	---
Total current assets	681,850	455,487	1,137,337	20,507	(291,942)	865,902
Property and equipment - at cost:						
Land and land improvements	746,697	---	746,697	---	---	746,697
Bridges	203,557	---	203,557	---	---	203,557
Buildings and tennis courts	416,582	---	416,582	639,423	---	1,056,005
Maintenance and restaurant equipment	719,863	---	719,863	48,815	---	768,678
Office Equipment	28,002	---	28,002	---	---	28,002
	2,114,701	---	2,114,701	688,238	---	2,802,939
Less - accumulated depreciation	943,764	---	943,764	7,928	---	951,692
Property and equipment, net	1,170,937	---	1,170,937	680,310	---	1,851,247
Goodwill, net of amortization	---	---	---	191,111	---	191,111
Total Assets	$ 1,852,787	$ 455,487	$ 2,308,274	$ 891,928	$ (291,942)	$ 2,908,260
Liabilities						
Current Liabilities						
Accounts payable	$ 10,781	$ ---	$ 10,781	$ 3,759	$ ---	$ 14,540
Current portion of long-term notes payable	---	---	---	55,917	---	55,917
Accrued payroll and vacation	41,757	---	41,757	---	---	41,757
Accrued property taxes	4,980	---	4,980	---	---	4,980
Sales tax payable	---	---	---	505	---	505
Other payables - related party	---	---	---	291,942	(291,942)	---
Dues and assessments received in advance	179,332	---	179,332	---	---	179,332
Total current liabilities	236,850	---	236,850	352,123	(291,942)	297,031
Long-term notes payable, less current above	---	---	---	437,734	---	437,734
Deferred Tax Liability	29,201	---	29,201	---	---	29,201
Total liabilities	266,051	---	266,051	789,857	(291,942)	763,966
Fund Balances						
Operating Fund	1,586,736	---	1,586,736	102,071	---	1,688,807
Replacement reserve funds						
Equipment replacement reserve	---	78,783	78,783	---	---	78,783
Erosion control reserve	---	12,999	12,999	---	---	12,999
Road paving reserve	---	93,229	93,229	---	---	93,229
Dredging reserve	---	167,676	167,676	---	---	167,676
Court improvements reserve	---	4,800	4,800	---	---	4,800
Silt & sediment reserve	---	98,000	98,000	---	---	98,000
Total Fund Balances	1,586,736	455,487	2,042,223	102,071	---	2,144,294
Total Liabilities and Members' Equity	$ 1,852,787	$ 455,487	$ 2,308,274	$ 891,928	$ (291,942)	$ 2,908,260

See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidating Balance Sheet

February 28,

	2022					
	Property Owners Association					
	Operating Fund	Replacement Fund	Total	Marina	Consolidating Entries	Total
Assets						
Current assets:						
Cash & cash equivalents	$ 405,834	$ ---	$ 405,834	$ ---	$ ---	$ 405,834
Investments	22,278	265,587	287,865	---	---	287,865
Dues and assessments receivables	15,887	---	15,887	---	---	15,887
Total current assets	443,999	265,587	709,586	---	---	709,586
Property and equipment - at cost:						
Land and land improvements	745,697	---	745,697	---	---	745,697
Bridges	203,557	---	203,557	---	---	203,557
Buildings and tennis courts	416,582	---	416,582	---	---	416,582
Maintenance and restaurant equipment	707,665	---	707,665	---	---	707,665
Office Equipment	28,002	---	28,002	---	---	28,002
	2,101,503	---	2,101,503	---	---	2,101,503
Less - accumulated depreciation	894,211	---	894,211	---	---	894,211
Property and equipment, net	1,207,292	---	1,207,292	---	---	1,207,292
Deferred tax asset	6,052.00	---	6,052	---	---	6,052
Total Assets	$ 1,657,343	$ 265,587	$ 1,922,930	$ ---	$ ---	$ 1,922,930
Liabilities						
Current Liabilities						
Accounts payable	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Accrued payroll and vacation	37,340	---	37,340	---	---	37,340
Accrued property taxes	5,334	---	5,334	---	---	5,334
Dues and assessments received in advance	6,892	---	6,892	---	---	6,892
Total current liabilities	49,566	---	49,566	---	---	49,566
Deferred Tax Liability	---	---	---	---	---	---
Total liabilities	49,566	---	49,566	---	---	49,566
Fund Balances						
Operating Fund	1,607,777	---	1,607,777	---	---	1,607,777
Replacement reserve funds						
Equipment replacement reserve	---	91,283	91,283	---	---	91,283
Erosion control reserve	---	10,999	10,999	---	---	10,999
Road paving reserve	---	63,229	63,229	---	---	63,229
Dredging reserve	---	97,676	97,676	---	---	97,676
Court improvements reserve	---	2,400	2,400	---	---	2,400
Total Fund Balances	1,607,777	265,587	1,873,364	---	---	1,873,364
Total Liabilities and Members' Equity	$ 1,657,343	$ 265,587	$ 1,922,930	$ ---	$ ---	$ 1,922,930

See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidating Statements of Revenues, Expenses

For the year ended February 28, 2023

	Property Owners Association	Marina	Consolidating Entries	Total
Revenue				
Contract Revenues				
Dues and assessments	$ 847,941	$ 126,585	$ ---	$ 974,526
Management and facilities fees	222,855	---	---	222,855
Boat permits	67,477	---	---	67,477
Mowing	10,265	---	---	10,265
Rental income	2,400	---	---	2,400
Trashbag sales	33,757	---	---	33,757
Cart fees	15,600	---	---	15,600
Slip fees	52,050	---	---	52,050
Marina sales	---	89,665	---	89,665
Total contract revenues	1,252,345	216,250	---	1,468,595
Non-contract revenues				
Delinquent fees	10,867	33	---	10,900
Interest and dividend income	10,735	---	---	10,735
Gain on sale of lots and assets	106,238	---	---	106,238
Realized and unrealized gain(loss) on investments	(16,187)	---	---	(16,187)
Other	30,655	107	---	30,762
Total non-contract revenues	142,308	140	---	142,448
Total revenues	1,394,653	216,390	---	1,611,043
Operating Expenses				
Maintenance	266,392	22,294	---	288,686
Administrative	288,398	36,000	---	324,398
Security	113,046	---	---	113,046
Recreation	12,998	---	---	12,998
Lake and beach	255,242	---	---	255,242
Community building	21,540	---	---	21,540
Trash	53,327	---	---	53,327
Interest	---	13,657	---	13,657
Marina	---	6,744	---	6,744
Marina Wages	---	35,624	---	35,624
Sewer Wages	95,010	---	---	95,010
Water Wages	84,588	---	---	84,588
Total expenses	1,190,541	114,319	---	1,304,860
Excess (deficit) of revenues over expense before income tax	204,112	102,071	---	306,183
Income Tax Benefit (Expense)	(35,253)	---	---	(35,253)
Excess (deficit) of revenues over expenses	168,859	102,071	---	270,930
Fund Balances, Beginning of Year	1,873,364	---	---	1,873,364
Fund Balances, End of Year	$ 2,042,223	$ 102,071	$ ---	$ 2,144,294

See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidating Statements of Revenues, Expenses

For the year ended February 28, 2022

	Property Owners Association	Marina	Consolidating Entries	Total
Revenue				
Contract Revenues				
Dues and assessments	$ 630,983	$ ---	$ ---	$ 630,983
Management and facilities fees	215,569	---	---	215,569
Boat permits	67,200	---	---	67,200
Mowing	12,025	---	---	12,025
Rental income	5,600	---	---	5,600
Trashbag sales	29,152	---	---	29,152
Cart fees	14,800	---	---	14,800
Slip fees	39,200	---	---	39,200
Total contract revenues	1,014,529	---	---	1,014,529
Non-contract revenues				
Delinquent fees	7,105	---	---	7,105
Interest and dividend income	11,152	---	---	11,152
Realized and unrealized gain(loss) on investment	9,773	---	---	9,773
Other	32,670	---	---	32,670
Total non-contract revenues	60,700	---	---	60,700
Total revenues	1,075,229	---	---	1,075,229
Operating Expenses				
Maintenance	214,976	---	---	214,976
Administrative	284,424	---	---	284,424
Security	111,225	---	---	111,225
Recreation	13,110	---	---	13,110
Lake and beach	290,330	---	---	290,330
Community building	19,334	---	---	19,334
Trash	27,684	---	---	27,684
Sewer Wages	95,002	---	---	95,002
Water Wages	79,873	---	---	79,873
Total expenses	1,135,958	---	---	1,135,958
Excess (deficit) of revenues over expense before inco	(60,729)	---	---	(60,729)
Income Tax Benefit (Expense)	9,487	---	---	9,487
Excess (deficit) of revenues over expenses	(51,242)	---	---	(51,242)
Fund Balances, Beginning of Year	1,924,606	---	---	1,924,606
Fund Balances, End of Year	$ 1,873,364	$ ---	$ ---	$ 1,873,364

See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidating Statements of Cash Flows

For the year ended February 28, 2023

	Property Owners Association	Marina	Consolidating Entries	Total
Cash Flows from Operating Activities				
Excess (deficit) of revenues over expenses	$ 168,859	$ 102,071	$ ---	$ 270,930
Adjustments to reconcile change in net assets to net expenses to net cash provided by operating activities				
Depreciation and amortization	49,553	16,817	---	66,370
Gain on sale of assets	(106,238)	---	---	(106,238)
Unrealized (gain) loss on investments	16,187	---		16,187
Deferred income taxes	23,292	---	---	23,292
Changes in assets and liabilities				---
Dues and assessment receivables	(15,134)	(8,602)	---	(23,736)
Lots and Lot deposits	---	---	---	---
Accounts Payable	10,781	3,759	---	14,540
Dues and assessments received in advance	172,440	---	---	172,440
Other liabilities	4,063	505	---	4,568
Net cash provided by (used in) operating activities	323,803	114,550	---	438,353
Cash Flows from Investing Activities				
Loans to related parties	(312,102)	---	312,102	---
Proceeds from related party loan repayments	20,160	---	(20,160)	---
Purchase of property and equipment	(13,198)	(888,238)	---	(901,436)
Purchase of investments	(189,900)	---	---	(189,900)
Proceeds received from sale of assets	106,238	---	---	106,238
Proceeds received from sale of investments	1,623	---	---	1,623
Net cash provided by (used in) investing activities	(387,179)	(888,238)	291,942	(1,275,417)
Cash Flows from Financing Activities				
Loans from related parties	---	312,102	(312,102)	---
Repayments of related party loans	---	(20,160)	20,160	---
Proceeds from notes payable	---	615,000	---	615,000
Repayment of note payables	---	(121,349)	---	(121,349)
Net cash provided by financing activities	---	785,593	---	785,593
Net Increase in Cash and Cash Equivalents	(63,376)	11,905	291,942	(51,471)
Cash and Cash Equivalents at Beginning of Year	405,834	---	---	405,834
Cash and Cash Equivalents at End of Year	342,458	11,905	291,942	354,363
Summary of Cash Accounts				
Undesignated	342,458	11,905	---	354,363
Designated for future repairs and replacements	---	---	---	---
	$ 342,458	$ 11,905		$ 354,363
Supplemental Cash Flow Disclosures:				
Interest paid	$ ---	$ 13,657	$ ---	$ 13,657
Income taxes paid	---	---	---	---

See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Consolidating Statements of Cash Flows

For the year ended February 28, 2022

	Property Owners Association	Marina	Consolidating Entries	Total
Cash Flows from Operating Activities				
Deficit of revenues over expenses	$ (51,242)	$ ---	$ ---	$ (51,242)
Adjustments to reconcile change in net assets to net expenses to net cash provided by operating activities				
Depreciation	53,520	---	---	53,520
Unrealized (gain) loss on investments	(9,773)	---	---	(9,773)
Deferred income taxes	(18,936)	---	---	(18,936)
Changes in assets and liabilities				
Dues and assessment receivables	4,234	---	---	4,234
Accounts Payable	(1,116)	---	---	(1,116)
Dues and assessments received in advance	(49,470)	---	---	(49,470)
Other liabilities	20,708	---	---	20,708
Net cash used in operating activities	(52,075)	---	---	(52,075)
Cash Flows from Investing Activities				
Purchase of property and equipment	(27,695)	---	---	(27,695)
Purchase of investments	(10,770)	---	---	(10,770)
Proceeds received from sale of investments	94,600	---	---	94,600
Net cash provided by investing activities	56,135	---	---	56,135
Cash Flows from Financing Activities				
Net cash provided by financing activities	---	---	---	---
Net Increase in Cash and Cash Equivalents	4,060	---	---	4,060
Cash and Cash Equivalents at Beginning of Year	401,774	---	---	401,774
Cash and Cash Equivalents at End of Year	405,834	---	---	405,834
Summary of Cash Accounts				
Undesignated	342,458	---	---	342,458
Designated for future repairs and replacements	---	---	---	---
	$ 342,458	$ ---	$ ---	$ 342,458
Supplemental Cash Flow Disclosures:				
Interest paid	$ ---	$ ---	$ ---	$ ---
Income taxes paid	9,449	---	---	9,449

See accompanying accountant's compilation report

Lake Santee Property Owners Association, Inc.
Future Major Repairs and Replacements

February 28, 2023

The Association's board of directors conducted a study in April 2021 and updated as of February 2023 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not consider the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following information is based on the study and presents significant information about the components of common property.

Components	Estimate Remaining Useful Life (Years)	Estimated Current Replacement Cost	Designated for Repairs/Replacements February 28, 2023
Equipment replacement	2 to 3	$ 140,000	$ 78,783
Erosion control	1 to 3	15,000	12,999
Road paving	1	90,000	93,229
Dredging	1 to 2	300,000	167,676
Court improvements	5 to 8	15,000	4,800
Silt and sediment	1	200,000	98,000
Totals		$ 760,000	$ 455,487

See accompanying accountant's compilation report