LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

FEBRUARY 28, 2021 AND FEBRUARY 29, 2020



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 28, 2021 and February 29, 2020, 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

July 31, 2021

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

ASSETS

	2021			2020
	Operating Fund	Replacement Fund	Total	
Current Assets:				
Cash and cash equivalents	$ 401,774	$ -0-	$ 401,774	$ 365,631
Investments	219,281	142,640	361,921	279,107
Dues and assessment receivables	20,121	-0-	20,121	49,180
Lots and lot deposits	-0-	-0-	-0-	6,078
Total current assets	641,176	142,640	783,816	699,996
Property and Equipment:				
Land and land improvements	745,697	-0-	745,697	742,657
Bridges	203,557	-0-	203,557	203,557
Buildings and tennis courts	416,582	-0-	416,582	416,582
Maintenance and restaurant equipment	679,972	-0-	679,972	658,751
Office equipment	28,002	-0-	28,002	17,637
	2,073,810	-0-	2,073,810	2,039,184
Accumulated depreciation	(840,692)	-0-	(840,692)	(796,178)
Property and equipment, net	1,233,118	-0-	1,233,118	1,243,006
Deferred Tax Asset	-0-	-0-	-0-	34,661
	$ 1,874,294	$ 142,640	$ 2,016,934	$ 1,977,663

LIABILITIES AND FUND BALANCES

Current Liabilities:				
Accounts payable	$ 1,116	$ -0-	$ 1,116	$ 650
Payroll liabilities	18,628	-0-	18,628	25,557
Accrued property tax	3,338	-0-	3,338	3,755
Dues and assessments received in advance	56,362	-0-	56,362	142,349
Total current liabilities	79,444	-0-	79,444	172,311
Deferred Tax Liability	12,884	-0-	12,884	-0-
Total liabilities	92,328	-0-	92,328	172,311
Fund Balances:				
Operating fund	1,781,966	-0-	1,781,966	1,588,603
Replacement reserve funds:				
Equipment replacement reserve	-0-	84,817	84,817	70,817
Erosion control reserve	-0-	29,147	29,147	14,147
Road paving reserve	-0-	28,676	28,676	2,176
Dredging reserve	-0-	-0-	-0-	129,609
Total fund balances	1,781,966	142,640	1,924,606	1,805,352
	$ 1,874,294	$ 142,640	$ 2,016,934	$ 1,977,663

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 28, 2021 AND FEBRUARY 29, 2020

	2021	2020
Revenues:		
Contract revenues:		
Dues and assessments	$ 614,424	$ 579,439
Management and facilities fees	213,316	209,532
Boat permits	52,105	50,266
Mowing	12,001	14,135
Rental income	2,800	5,293
Trash bag sales	28,592	19,509
Cart fees	13,440	11,590
Slip fees	29,100	25,325
Total contract revenues	965,778	915,089
Non-contract revenues:		
Delinquent fees	7,414	13,817
Interest and dividend income	7,908	10,011
Gain on sale of lots and assets	19,966	2,088
Realized and unrealized gain (loss) on investments	9,309	(4,753)
Other	40,210	41,943
Total non-contract revenues	84,807	63,106
Total revenues	1,050,585	978,195
Operating Expenses:		
Maintenance	217,777	326,065
Administrative	296,914	277,242
Security	99,021	91,842
Recreation	8,539	9,881
Lake and beach	51,100	57,702
Community building	17,807	16,903
Trash	25,378	22,415
Sewer	84,548	84,120
Water	82,702	77,146
Total operating expenses	883,786	963,316
Excess of revenues over expenses before income taxes	166,799	14,879
Income Tax Expense	(47,545)	(4,796)
Excess of revenues over expenses	119,254	10,083
Fund Balances, Beginning of Year	1,805,352	1,795,269
Fund Balances, End of Year	$ 1,924,606	$ 1,805,352

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

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

	2021	2020
Cash Flows From Operating Activities:		
Excess of revenues over expenses	$ 119,254	$ 10,083
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:		
Depreciation	47,723	44,816
Loss on disposal of assets	-0-	1,320
Donated equipment	-0-	(9,801)
Unrealized (gain) loss on investments	(9,309)	4,753
Deferred income taxes	47,545	4,796
Changes in assets and liabilities:		
Dues and assessment receivables	29,059	21,010
Lots and lot deposits	3,038	(1,623)
Accounts payable	466	(10,004)
Dues and assessments received in advance	(85,987)	48,150
Other liabilities	(7,346)	(3,707)
Net cash provided by operating activities	144,443	109,793
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(34,795)	(53,020)
Purchases of investments	(185,005)	(262,528)
Proceeds received from sale of investments	111,500	181,364
Net cash used in investing activities	(108,300)	(134,184)
Net increase (decrease)	36,143	(24,391)
Cash and Cash Equivalents, Beginning of Year	365,631	390,022
Cash and Cash Equivalents, End of Year	$ 401,774	$ 365,631
Non-Cash Operating and Investing Activities:		
Acquisition of property through lots and lot deposits	$ 3,040	$ -0-

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

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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:

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.

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 $21,844 and $28,991 for the years ended February 28, 2021 and February 29, 2020, 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	3 - 10 years

Depreciation expense was $47,723 and $44,816 for the years ended February 28, 2021 and February 29, 2020, respectively, and is included in administrative expense.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 the years. For the years ended February 28, 2021 and February 29, 2020, 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, 2021, 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, 2017.

Subsequent Events

Subsequent events have been evaluated through July 31, 2021 which is the date the financial statements were available for issuance.

2. CONTRACT ASSETS AND LIABILIITES

The Association's contract assets and liabilities consist of the following as of February 28, 2021 and February 29, 2020:

	2021	2020
Dues and assessment receivables:		
Beginning of year	$ 49,180	$ 70,190
End of year	$ 20,121	$ 49,180
Dues and assessments received in advance :		
Beginning of year	$ 142,349	$ 94,199
End of year	$ 56,362	$ 142,349

3. INVESTMENTS

At February 28, 2021 and February 29, 2020, 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 28, 2021 and February 29, 2020. 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 28, 2021

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 211,572	$ 211,572	$ -0-
Mutual funds	141,626	150,349	8,723
Total investments	$ 353,198	$ 361,921	$ 8,723

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)

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:

	2021	2020
Federal:		
Current	$ -0-	$ -0-
Deferred	(32,964)	(3,325)
	(32,964)	(3,325)
State:		
Current	-0-	-0-
Deferred	(14,581)	(1,471)
	(14,581)	(1,471)
Income Tax Benefit (Expense)	$ (47,545)	$ (4,796)

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 28, 2021, the Association has approximately $104,000 of net operating loss carry forwards available to offset future Federal taxable income which begin to expire in the fiscal year ending February 28, 2037.

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

	2021	2020
Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Investments	$ (2,580)	$ 1,317
Book depreciation in excess of tax depreciation	(39,290)	(38,872)
Net operating losses	28,986	72,216
	$ (12,884)	$ 34,661

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 $17,776 and $17,461 for the years ending February 28, 2021 and February 29, 2020, respectively. The agreement is subject to renewal annually, and has been renewed for fiscal year 2021, and may be terminated by either party with 90 days notice. The District paid $213,316 and $209,532 to the Association during the years ended February 28, 2021 and February 29, 2020, 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 28, 2021 and February 29, 2020, twenty (20) and twenty-one (21) percent, respectively, of total revenues were from the District under the annual Management and Facilities Agreement (Note 5).