Lake Santee Property Owners Association, Inc.

Financial Statements

For the Years Ended
February 28, 2022 and 2021

RBSK PARTNERS PC
CPAs & Advisors ▪ Technology Consulting

Lake Santee Property Owners Association, Inc.
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February 28, 2022 and 2021

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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) which comprise the balance sheets as of February 28, 2022 and 2021, and the related 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 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 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 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 7, 2022

Lake Santee Property Owners Association, Inc.
Balance Sheets

February 28,

	2022			2021
	Operating Fund	Replacement Fund	Total	
Assets				
Current Assets:				
Cash & Cash equivalents	$ 405,834	$ ---	$ 405,834	$ 401,774
Investments	22,278	265,587	287,865	361,921
Dues and assessments receivables	15,887	---	15,887	20,121
Total current assets	443,999	265,587	709,586	783,816
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	679,972
Office Equipment	28,002	---	28,002	28,002
	2,101,503	---	2,101,503	2,073,810
Less - accumulated depreciation	894,211	---	894,211	840,692
Property and equipment, net	1,207,292	---	1,207,292	1,233,118
Deferred tax asset	6,052	---	6,052	---
Total Assets	$ 1,657,343	$ 265,587	$ 1,922,930	$ 2,016,934

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

Lake Santee Property Owners Association, Inc.
Balance Sheets

February 28,

	2022			2021
	Operating Fund	Replacement Fund	Total	
Liabilities				
Current Liabilities				
Accounts payable	$ ---	$ ---	$ ---	$ 1,116
Accrued payroll and vacation	37,340	---	37,340	18,628
Accrued property taxes	5,334	---	5,334	3,338
Dues and assessments received in advance	6,892	---	6,892	56,362
Total current liabilities	49,566	---	49,566	79,444
Deferred Tax Liability	---	---	---	12,884
Total liabilities	49,566	---	49,566	92,328
Fund Balances				
Operating Fund	1,607,777	---	1,607,777	1,781,966
Replacement reserve funds				
Equipment replacement reserve	---	91,283	91,283	84,817
Erosion control reserve	---	10,999	10,999	29,147
Road paving reserve	---	63,229	63,229	28,676
Dredging reserve	---	97,676	97,676	---
Court improvements reserve	---	2,400	2,400	---
Total Fund Balances	1,607,777	265,587	1,873,364	1,924,606
Total Liabilities and Members' Equity	$ 1,657,343	$ 265,587	$ 1,922,930	$ 2,016,934

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

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

For the years ended February 28,

	2022	2021
Revenue		
Contract Revenues		
Dues and assessments	$ 630,983	$ 614,424
Management and facilities fees	215,569	213,316
Boat permits	67,200	52,105
Mowing	12,025	12,001
Rental Income	5,600	2,800
Trashbag sales	29,152	28,592
Cart Fees	14,800	13,440
Slip Fees	39,200	29,100
Total contract revenues	1,014,529	965,778
Non-contract revenues		
Delinquent fees	7,105	7,414
Interest and dividend income	11,152	7,907
Gain on sale of lots and assets	---	19,966
Realized and unrealized gain on investments	9,773	9,310
Other	32,670	40,210
Total non-contract revenues	60,700	84,807
Total revenues	1,075,229	1,050,585
Operating Expenses		
Maintenance	214,976	217,777
Administrative	284,424	296,914
Security	111,225	99,022
Recreation	13,110	8,539
Lake and beach	290,330	51,099
Community building	19,334	17,807
Trash	27,684	25,378
Sewer	95,002	84,547
Water	79,873	82,701
Total expenses	1,135,958	883,786
Excess (deficit) of revenues over expense before income taxes	(60,729)	166,799
Income Tax Benefit (Expense)	9,487	(47,545)
Excess (deficit) of revenues over expenses	(51,242)	119,254
Fund Balances, Beginning of Year	1,924,606	1,805,352
Fund Balances, End of Year	$ 1,873,364	$ 1,924,606

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

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

For the years ended February 28,

	Total	Undesignated	Designated for Future Repairs and Replacements
Fund Balances, February 28, 2020	$ 1,805,352	$ 1,588,603	$ 216,749
Change in Undesignated Fund Balances	119,254	119,254	---
Allocated to future repairs and replacements - Repairs made	---	74,109	(74,109)
Fund Balances, February 28, 2021	1,924,606	1,781,966	142,640
Change in Undesignated Fund Balances	**(51,242)**	**(51,242)**	**---**
Allocated to future repairs and replacements - Repairs made	**---**	**(122,947)**	**122,947**
Fund Balances, February 28, 2022	**$ 1,873,364**	**$ 1,607,777**	**$ 265,587**

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

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

For the years ended February 28,

	2022	2021
Cash Flows from Operating Activities		
Excess (deficit) of revenues over expenses	$ (51,242)	$ 119,254
Adjustments to reconcile change in net assets to net expenses to net cash provided by operating activities		
Depreciation	53,520	47,723
Unrealized (gain) loss on investments	(9,773)	(9,309)
Deferred income taxes	(18,936)	47,545
Changes in assets and liabilities		
Dues and assessment receivables	4,234	29,059
Lots and Lot deposits	---	3,038
Accounts Payable	(1,116)	466
Dues and assessments received in advance	(49,470)	(85,987)
Other liabilities	20,708	(7,346)
Net cash provided by (used in) operating activities	(52,075)	144,443
Cash Flows from Investing Activities		
Purchase of property and equipment	(27,695)	(34,795)
Purchase of investments	(10,770)	(185,005)
Proceeds received from sale of investments	94,600	111,500
Net cash provided by (used in) investing activities	56,135	(108,300)
Cash Flows from Financing Activities		
Net cash provided by financing activities	---	---
Net Increase in Cash and Cash Equivalents	4,060	36,143
Cash and Cash Equivalents at Beginning of Year	401,774	365,631
Cash and Cash Equivalents at End of Year	405,834	401,774
Summary of Cash Accounts		
Undesignated	405,834	401,774
Designated for future repairs and replacements	---	---
	$ 405,834	$ 401,774
Supplemental Cash Flow Disclosures:		
Interest paid	$ ---	$ ---
Income taxes paid	9,449	---

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

February 28, 2022 and 2021

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"), is presented to assist in understanding the Association's financial statements. The financial statements and nots 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 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, 2022 and 2021.

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 the be uncollectible are written off to bad debt expense. Bad debt expense was $7,312 and $21,844 for the years ended February 28, 2022 and 2021 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 $53,520 and $47,723 for the years ended February 28, 2022 and 2021 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, 2022 and 2021. 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 years ended February 28, 2022 and 2021, 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, 2022, 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, 2018.

Advertising Costs

Advertising costs are expensed as incurred. During the years ended February 28, 2022 and 2021 adverting expenses were $918 and $215, 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

In February 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). This ASU, which the Company is not required to adopt until its year ending December 31, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet.

The Company is presently evaluating the effects that this ASU will have on its future consolidated financial statements, including related disclosures.

(Continued)

2. Contract Assets and Liabilities

The Association's contract assets and Liabilities consist of the following as of February 28, 2022 and 2021:

	2022	2021
Dues and assessment receivables:		
Beginning of the year	$ 20,121	$ 49,180
End of the year	$ 15,884	$ 20,121
Dues and assessment received in advance:		
Beginning of the year	$ 56,362	$ 142,349
End of the year	$ 6,892	$ 56,362

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.

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, 2022 and 2021, 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, 2022 and 2021. There has been no change in the methodology used as of February 28, 2021.

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

(Continued)

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

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, 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

February 28, 2021

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

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:

	2022	2021
Federal:		
Current	$ ---	$ ---
Deferred	16,466	(32,964)
	16,466	(32,964)
State:		
Current	(9,449)	---
Deferred	2,470	(14,581)
	(6,979)	(14,581)
Income Tax Benefit (Expense)	$ 9,487	$ (47,545)

(Continued)

4. Income Taxes *(Continued)*

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, 2022, the Association has approximately $157,878 of net operating loss carry forwards available to offset future federal taxable income which begin to expire in fiscal year ending February 28, 2037.

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

	2022	2021
Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Investments	$ (2,440)	$ (2,580)
Book depreciation in excess of tax depreciation	(27,084)	(39,290)
Net Operating Losses	35,576	28,986
	$ 6,052	$ (12,884)

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 $17,964 and $17,776 for the years ended February 28, 2022 and 2021 respectively. The agreement is subject to renewal annually and has been renewed for the fiscal year 2022, may be terminated by either party with 90 days' notice. The District paid $215,569 and $213,316 to the Association during the years ended February 28, 2022 and 2021, respectively.

6. 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

Substantially 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, 2022 and 2021, twenty (20) percent for of total revenues were from the District under the annual Management and Facilities Agreement (Note 5).

(Continued)

7. 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, 2022 and 2021, was $6,761 and $6,965, respectively.

8. 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 $265,587 and $142,640 at February 28, 2022 and 2021, 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, 2022 and 2021, 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 2022. 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.

Supplementary Information

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

February 28, 2022

The Association's board of directors conducted a study in April 2021 and updated as of February 2022 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, 2022
Equipment replacement	2 to 3	$ 140,000	$ 91,283
Erosion control	1 to 3	15,000	10,999
Road paving	1	90,000	63,229
Dredging	3	300,000	97,676
Court improvements	5 to 8	15,000	2,400
Totals		$ 560,000	$ 265,587

See accompanying accountant's compilation report