LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

FEBRUARY 28, 2015 AND 2014

Alerding CPA GROUP

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

We have compiled the accompanying balance sheets of LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC. (the "Association") as of February 28, 2015 and 2014, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Alerding CPA Group

August 4, 2015

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS
FEBRUARY 28, 2015 AND 2014

ASSETS

	2015			2014
	Operating Fund	Replacement Fund	Total	
Current Assets:				
Cash and cash equivalents	$ 200,134	$ -0-	$ 200,134	$ 359,454
Investments	99,587	205,782	305,369	201,854
Dues and assessment receivables	44,579	-0-	44,579	43,680
Lots and lot deposits	4,191	-0-	4,191	4,503
Deferred tax asset	-0-	-0-	-0-	6,711
Total current assets	348,491	205,782	554,273	616,202
Property and Equipment:				
Land and land improvements	696,007	-0-	696,007	696,007
Bridges	203,557	-0-	203,557	203,557
Buildings and tennis courts	398,273	-0-	398,273	391,289
Maintenance and restaurant equipment	610,695	-0-	610,695	588,666
Office equipment	20,194	-0-	20,194	20,194
	1,928,726	-0-	1,928,726	1,899,713
Accumulated depreciation	(707,154)	-0-	(707,154)	(658,459)
Property and equipment, net	1,221,572	-0-	1,221,572	1,241,254
Deferred Tax Asset	53,708	-0-	53,708	42,892
	$ 1,623,771	$ 205,782	$ 1,829,553	$ 1,900,348

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	$ 8,138	$ -0-	$ 8,138	$ 8,679
Payroll liabilities	9,446	-0-	9,446	8,655
Accrued property tax	4,371	-0-	4,371	4,371
Damage deposit	2,000	-0-	2,000	2,000
Dues and assessments received in advance	84,160	-0-	84,160	116,146
Deferred tax liability	1,223	-0-	1,223	-0-
Total liabilities	109,338	-0-	109,338	139,851
Fund Balances:				
Operating fund	1,514,433	-0-	1,514,433	1,548,290
Donor restricted funds	-0-	-0-	-0-	5,000
Replacement reserve funds:				
Equipment replacement reserve	-0-	51,902	51,902	31,902
Erosion control reserve	-0-	12,672	12,672	12,672
Road paving reserve	-0-	30,000	30,000	-0-
Dam repairs reserve	-0-	53,649	53,649	50,649
Dredging reserve	-0-	57,559	57,559	111,984
Total fund balances	1,514,433	205,782	1,720,215	1,760,497
	$ 1,623,771	$ 205,782	$ 1,829,553	$ 1,900,348

See Accountant's Compilation Report on page 1.
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, 2015 AND 2014

	2015	2014
Revenues:		
Dues and assessments	$ 529,229	$ 513,403
Management and facilities fees	155,328	154,820
Boat permits	29,515	43,875
Mowing	20,152	23,080
Rental income	4,562	3,307
Trash bag sales	14,505	15,100
Delinquent fees	9,998	9,726
Cart fees	3,700	4,880
Slip fees	10,250	14,500
Interest and dividend income	9,311	10,365
Gain on sale of lots and assets	5,664	2,274
Gain (loss) on sale of investments	(4,852)	31,411
Unrealized gain (loss) on investments	5,399	(30,194)
Property tax appeal	-0-	105
Other	22,991	20,131
Total revenues	815,752	816,783
Operating Expenses:		
Maintenance	211,050	273,754
Administrative	323,885	318,420
Security	57,082	56,901
Recreation	6,826	9,990
Lake and beach	98,275	88,932
Community building	19,021	15,330
Trash	21,687	17,759
Sewer	63,733	59,360
Water	57,357	58,768
Loss on disposal of assets	-0-	6,208
Total operating expenses	858,916	905,422
Deficiency of revenues under expenses before income taxes	(43,164)	(88,639)
Income Tax Benefit	2,882	27,856
Deficiency of revenues under expenses	(40,282)	(60,783)
Fund Balances, Beginning of Year	1,760,497	1,821,280
Fund Balances, End of Year	$ 1,720,215	$ 1,760,497

See Accountant's Compilation Report on page 1.
See accompanying Notes to Financial Statements.

LAKE SANTEE PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Deficiency of revenues under expenses	$ (40,282)	$ (60,783)
Adjustments to reconcile deficiency of revenues under expenses to net cash provided by (used in) operating activities:		
Depreciation	54,663	52,752
Gain (loss) on disposal of assets	(132)	6,208
Unrealized (gain) loss on investments	(5,399)	30,194
Deferred income taxes	(2,882)	(27,856)
(Gain) loss on sale of investments	4,852	(31,411)
Changes in assets and liabilities:		
Dues and assessment receivables	(899)	30,141
Lots and lot deposits	312	(1,597)
Other assets	-0-	21,990
Accounts payable	(541)	(5,746)
Dues and assessments received in advance	(31,986)	1,776
Other liabilities	791	(276)
Net cash provided by (used in) operating activities	(21,503)	15,392
Cash Flows From Investing Activities:		
Proceeds from sale of assets	-0-	7,134
Acquisition of property and equipment	(34,849)	(56,456)
Purchases of investments	(157,393)	(10,042)
Proceeds received from sale of investments	54,425	32,912
Net cash used in investing activities	(137,817)	(26,452)
Net decrease	(159,320)	(11,060)
Cash and Cash Equivalents, Beginning of Year	359,454	370,514
Cash and Cash Equivalents, End of Year	$ 200,134	$ 359,454

See Accountant's Compilation Report on page 1.
See accompanying Notes to Financial Statements.

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 nonprofitable 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.

Dues and Assessment Receivables

Dues and assessment receivables are reported at the amount invoiced, and primarily include unpaid dues and assessments. At 30 days past due, the property owner is assessed a 10% penalty, and beginning 60 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 $28,942 and $44,225 for the years ended February 28, 2015 and 2014, respectively, and is included in administrative expenses.

Revenue Recognition

Membership dues are invoiced in advance of the year to which they relate and are non-refundable. Accordingly, membership dues revenues are recognized March 1st of each fiscal year. Management and facilities fees are received and recognized on a monthly basis. Other revenues are recognized in the period of which the service or fee relates.

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 $54,663 and $52,752 for the years ended February 28, 2015 and 2014, 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.

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, 2015 and 2014, the Association elected to be taxed as a Corporation (Note 3).

Management of the Association evaluates all significant income tax positions as required by U.S. GAAP. As of February 28, 2015, 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, 2012.

Subsequent Events

Subsequent events have been evaluated through August 4, 2015 which is the date the financial statements were available for issuance.

2. INVESTMENTS

Investments at February 28, 2015 and 2014 are classified as available for sale, and include the following:

February 28, 2015

	Cost	Market	Unrealized Gain (Loss)
Cash and cash equivalents	$ 20,487	$ 20,487	$ -0-
Certificates of deposit	145,000	144,895	(105)
Mutual funds	88,610	139,987	51,377
Total investments	$ 254,097	$ 305,369	$ 51,272

February 28, 2014

	Cost	Market	Unrealized Gain (Loss)
Equities	$ 112,422	$ 66,857	$ (45,565)
Mutual funds	81,932	134,997	53,065
Total investments	$ 194,354	$ 201,854	$ 7,500

The market value of the Association's investments are measured by a Level I input in accordance with Financial Accounting Standards Board Accounting Standards Codification 820 ("ASC 820"), defined as quoted prices in active markets for identical investments that can be accessed as of the measurement date. The investments may be liquidated for use in general operations at the discretion of management. However, the Association does not actively trade the investments.

3. INCOME TAXES

Income tax benefit includes the following:

	2015	2014
Federal:		
Current	$ -0-	$ -0-
Deferred	1,780	17,202
	1,780	17,202
State:		
Current	-0-	-0-
Deferred	1,102	10,654
	1,102	10,654
Income Tax Benefit	$ 2,882	$ 27,856

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, 2015, the Association has approximately $260,000 of net operating loss carry forwards available to offset future Federal taxable income which begin to expire in the fiscal year ending February 28, 2028.

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

	2015	2014
Current Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Investments	$ (1,223)	$ 6,711
Long-Term Deferred Tax Asset (Liability)		
For Taxable Temporary Differences:		
Book depreciation in excess of tax depreciation	(4,253)	(4,898)
Net operating losses	57,961	47,790
	53,708	42,892
	$ 52,485	$ 49,603

4. 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 $12,944 and $12,902 for the years ending February 28, 2015 and 2014. The agreement is subject to renewal annually, and has been renewed for fiscal year 2015, and may be terminated by either party with 90 days notice. The District paid $155,328 and $154,820 to the Association during the years ended February 28, 2015 and 2014, respectively.

5. CONCENTRATION OF CREDIT RISK

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.

For each of the years ended February 28, 2015 and 2014, 19% of total revenues were from the District under the annual Management and Facilities Agreement (Note 4).