

LONG POINT PROPERTY OWNERS
ASSOCIATION, INC.

FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022



Holland, Bromley,
Barnhill & Brett LLP

Certified Public Accountants and Business Advisors

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

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CHRISTOPHER H. HOLLAND, CPA
S. STEWART BROMLEY, CPA
RONNIE A. BARNHILL, JR., CPA
SHANNON L. BRETT, CPA, CFE
TAYLOR A. MONGIN, CPA

Independent Accountant's Review Report

To The Board of Directors of
Long Point Property Owners Association, Inc.

We have reviewed the accompanying financial statements of Long Point Property Owners Association, Inc. ("the Association"), which comprise the balance sheet as of March 31, 2023, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 11 be presented to supplement the basic financial statements. Such information, although not a required 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. The information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Report on 2022 Financial Statements

The March 31, 2022 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated June 10, 2022. We have not performed any auditing procedures since that date. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Holland, Bromley, Barnhill & Brett, LLP". The signature is written in a cursive, flowing style.

Holland, Bromley, Barnhill & Brett, LLP
Savannah, Georgia
October 20, 2023

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS

	<u>Operating Fund</u>	<u>Reserve Fund</u>	Total <u>March 31,</u>	
			<u>2023</u> <u>(reviewed)</u>	<u>2022</u> <u>(audited)</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 319,555	\$ 1,007,767	\$ 1,327,322	\$ 1,246,319
Assessments receivable, net	101,548	-	101,548	17,301
Other receivables	313	-	313	4,345
Prepaid expenses	8,709	-	8,709	7,722
Due from operating fund	-	<u>385,562</u>	<u>385,562</u>	<u>190,164</u>
Total current assets	430,125	1,393,329	1,823,454	1,465,851
Property and equipment, net	<u>915,495</u>	<u>-</u>	<u>915,495</u>	<u>923,535</u>
Total assets	<u>\$ 1,345,620</u>	<u>\$ 1,393,329</u>	<u>\$ 2,738,949</u>	<u>\$ 2,389,386</u>
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable	\$ 20,302	\$ -	\$ 20,302	\$ 8,604
Income tax payable	13,583	-	13,583	-
Unearned revenue	61,813	-	61,813	90,886
Deposits	7,540	-	7,540	6,540
Due to reserve fund	<u>385,562</u>	<u>-</u>	<u>385,562</u>	<u>190,164</u>
Total current liabilities	488,800	-	488,800	296,194
Deferred revenue - reserved assessments	-	1,393,329	1,393,329	1,262,109
Accumulated excess of revenues over expenses	<u>856,820</u>	<u>-</u>	<u>856,820</u>	<u>831,083</u>
Total liabilities and fund balances	<u>\$ 1,345,620</u>	<u>\$ 1,393,329</u>	<u>\$ 2,738,949</u>	<u>\$ 2,389,386</u>

(The accompanying notes are an integral part of the financial statements.)

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

	For the years ended			
			March 31,	
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2023</u> <u>(reviewed)</u>	<u>2022</u> <u>(audited)</u>
REVENUES				
Member assessments	\$ 503,337	\$ 104,541	\$ 607,878	\$ 561,945
Net allocation of assessments to deferred revenues - reserves	(131,220)	-	(131,220)	(127,869)
Contractor decals	49,205	-	49,205	48,399
Boat slip rental	39,180	-	39,180	36,288
Interest income	-	12,255	12,255	1,003
Other income	50,140	-	50,140	3,963
Homeowner guest passes	1,575	-	1,575	1,825
Pool rental	3,305	-	3,305	2,910
Comcast income	5,295	-	5,295	5,295
Net fund transfers	116,796	(116,796)	-	-
	<u>637,613</u>	<u>-</u>	<u>637,613</u>	<u>533,759</u>
EXPENSES				
Front gate	177,650	-	177,650	153,710
Depreciation	101,201	-	101,201	105,156
Landscaping	67,923	-	67,923	80,235
Professional fees	59,387	-	59,387	48,862
Swimming pool	56,407	-	56,407	58,111
Repairs and maintenance	49,330	-	49,330	11,257
Dock	27,066	-	27,066	165
Irrigation	19,459	-	19,459	14,650
Income taxes	13,583	-	13,583	-
Insurance	13,143	-	13,143	12,361
Loss on disposal of assets	11,380	-	11,380	75
Supplies	5,344	-	5,344	380
Street and roadway	2,816	-	2,816	5,067
Lagoon	2,665	-	2,665	6,056
General and administrative	2,948	-	2,948	2,831
Tennis court	824	-	824	749
Bad debt	750	-	750	2,259
	<u>611,876</u>	<u>-</u>	<u>611,876</u>	<u>501,924</u>
Excess of revenues over expenses	25,737	-	25,737	31,835
Fund balance - beginning of year	<u>831,083</u>	<u>-</u>	<u>831,083</u>	<u>799,248</u>
Fund balance - end of year	<u>\$ 856,820</u>	<u>\$ -</u>	<u>\$ 856,820</u>	<u>\$ 831,083</u>

(The accompanying notes are an integral part of the financial statements.)

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

	<u>Operating Fund</u>	<u>Reserve Fund</u>	For the years ended	
			<u>March 31,</u>	
			<u>2023</u>	<u>2022</u>
			<u>(reviewed)</u>	<u>(audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenues over expenses	\$ 25,737	\$ -	\$ 25,737	\$ 31,835
Adjustments to reconcile excess revenues over expenses to net cash from operating activities:				
Depreciation	101,201	-	101,201	105,156
Loss on disposal of assets	11,380	-	11,380	75
Bad debt	750	-	750	2,259
Changes in:				
Assessments receivable, net	(84,997)	-	(84,997)	(10,057)
Other receivables	4,032	-	4,032	(3,325)
Prepaid expenses	(987)	-	(987)	-
Net due to reserve fund	195,398	-	195,398	(36,343)
Accounts payable	11,698	-	11,698	(3,220)
Income tax payable	13,583	-	13,583	-
Unearned assessments	(29,073)	-	(29,073)	43,164
Deposits	1,000	-	1,000	3,000
Net due from operating fund	-	(195,398)	(195,398)	36,343
Deferred revenue - reserved assessments	-	131,220	131,220	127,869
Net cash provided by operating activities	<u>249,722</u>	<u>(64,178)</u>	<u>185,544</u>	<u>296,756</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	<u>(104,541)</u>	<u>-</u>	<u>(104,541)</u>	<u>(126,000)</u>
Net cash used for investing activities	<u>(104,541)</u>	<u>-</u>	<u>(104,541)</u>	<u>(126,000)</u>
Net increase in cash and cash equivalents	145,181	(64,178)	81,003	170,756
Cash and cash equivalents - beginning of year	<u>174,374</u>	<u>1,071,945</u>	<u>1,246,319</u>	<u>1,075,563</u>
Cash and cash equivalents - end of year	<u>\$ 319,555</u>	<u>\$ 1,007,767</u>	<u>\$ 1,327,322</u>	<u>\$ 1,246,319</u>
Supplementary cash flow information				
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ 6,600

(The accompanying notes are an integral part of the financial statements.)

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 (reviewed) AND 2022 (audited)

NOTE 1 - NATURE OF ORGANIZATION

Long Point Property Owners Association, Inc. (“the Association”) is a Homeowners Association that was incorporated on April 18, 1985, in the State of Georgia. The Association is responsible for the operation and maintenance of the common property within the Long Point real estate development which consists of approximately 341 homes and 12 lots located in Savannah, Georgia.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Association’s financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). Accordingly, revenues are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid.

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating fund: This fund is used to account for financial resources available for the general operations of the Association.

Reserve fund: This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and cash equivalents

For financial statement purposes, the Association considers cash and cash equivalents to include all investments with an original maturity of ninety days or less.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of credit risk

The Association maintains its cash balances with commercial banks located in Savannah, Georgia. The Federal Deposit Insurance Corporation (FDIC) insured these deposits up to \$250,000 per bank. Cash balances exceeded federally insured limits as of March 31, 2023 and 2022 by approximately \$758,000 and \$0, respectively.

Revenue recognition

The Association generates revenues primarily through annual assessments from members, boat slip rentals, and sales of contractor decals. Revenues are recognized when control of these products and services is transferred to customers, in an amount that reflects the consideration the Association expects to be entitled for exchanging those products and services. Assessment revenues are recognized over a period of time, the fiscal year, as the Association provides amenities and services to members related to operating expenses, future capital acquisitions, and major repairs and replacements. Assessments to owners totaled \$1,760 and \$1,620 annually per home (\$880 and \$810 annually per lot) for fiscal years ended 2023 and 2022, respectively, and were permitted to be paid in quarterly installments. Boat slip rental revenues are recognized over a period of time, the fiscal year, as the Association provides space at the docks for members to store their personal boats. Contractor decal sales are recognized at a point in time, as they are issued to contractor vehicles when entering the neighborhood for work.

Income taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528. Under this Section, the Association is exempt from tax on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of the Association's property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 5.75% by the State of Georgia.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. Once the threshold is met, the amount recognized in the financial statements is the largest amount of tax benefit likely realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Association is no longer subject to examination by taxing authorities for years before 2019. The Association does not expect the total amount of unrecognized tax benefits to change significantly in the next twelve months. If incurred, the Association would recognize interest and penalties related to unrecognized tax benefits in interest expense. The Association did not record interest expense or penalties for the year ended March 31, 2023.

Property and equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the development. Property and equipment acquired by the Association are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives which range from five to forty years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments receivable

Assessments receivable at the balance sheet date represent amounts due from property owners. The Association's policy is to begin collection procedures on the property owners whose assessments are thirty days or more delinquent with a letter of notice. If the payment has not been received in full within thirty days thereafter, amenities for the owner are suspended and the Association may engage a collections attorney. The Association's allowance for potentially uncollectible receivables was \$750 and \$4,027 as of March 31, 2023 and 2022, respectively. The Association has very few issues with delinquent assessments, and assessments deemed not collectible are written off. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Subsequent events

Management has evaluated subsequent events through October 20, 2023, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>March 31,</u>	
	<u>2023</u>	<u>2022</u>
Roads and improvements	\$ 955,354	\$ 955,354
Swimming pool	275,427	192,537
Dock facilities	161,916	161,916
Gazebo	146,261	146,261
Tennis courts	57,227	57,227
Street signs	38,802	38,802
Security equipment	25,968	25,968
Electric gate	24,465	24,465
Entrance and flag pole	14,738	14,738
Playground	6,334	6,334
Guard house	3,814	3,814
Land	3,368	3,368
Irrigation system and fountain	<u>3,225</u>	<u>3,225</u>
Total	1,716,899	1,634,009
Accumulated depreciation	<u>(801,404)</u>	<u>(710,474)</u>
Property and equipment, net	<u>\$ 915,495</u>	<u>\$ 923,535</u>

NOTE 4 - LEGAL MATTERS

During the normal course of business, the Association occasionally will be involved in lawsuits related to the collection of assessments from homeowners and other matters. As of March 31, 2023, the Association does not believe there are significant legal contingencies related to these proceedings, and no provision for these matters has been made in the accompanying financial statements.

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association accumulates funds to finance future major repairs and replacements. Accumulated funds which total \$1,007,767 and \$1,071,945 as of March 31, 2023 and 2022, respectively, are held in separate accounts and are not available for operating purposes.

The Board of Directors engaged an independent firm of reserve specialists and analysts with backgrounds in engineering and architecture to conduct a study of the estimated remaining useful lives and replacement costs of common property components. The study used for the March 31, 2023 financial statements was dated March 2020, and the model included a 2.50% annual construction inflation rate and a 1.00% annual interest rate on funds held in reserve.

The Association's funding for major repairs and replacements over the estimated useful lives of the components is based on the study's estimates of current replacement costs as of March 2020 (report date). 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, the Association has the right to increase regular assessments by up to 25% without member approval. Subject to member approval, the Association has the right to increase regular assessments in excess of 25% or levy special assessments.

SUPPLEMENTARY INFORMATION

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
MARCH 31, 2023

As more fully discussed in Note 5 to the audited financial statements, the Board of Directors engaged an independent firm of reserve specialists and analysts with backgrounds in engineering and architecture to conduct a study of the estimated remaining useful lives and replacement costs of common property components. At the conclusion of the study in March 2020, reports were issued for the Association. The model includes a 2.50% annual construction inflation rate and a 1.00% annual interest rate on funds held in reserve. The study utilized the cash flow method, rather than the component method, for reporting information about historical funding, component cost projections for common elements, and reserve balance recommendations.

According to the study, the minimum account threshold for the reserve as of March 31, 2023 was \$1,393,329.

The following information has been compiled from this study regarding estimated useful lives and replacement costs:

<u>Asset</u>	<u>Estimated remaining useful life (years)</u>	<u>Estimated current replacement cost</u>	<u>Reserve replacement funds as of March 31, 2023</u>
Miscellaneous Site Components	0-17	\$ 142,913	
Street/Lots Resurfacing	7-9	1,229,014	
Fencing and Gates	0-15	82,518	
Storm Water System	0	3,047	
Site Lighting	17	23,954	
Miscellaneous Building Components	0-17	8,510	
Roofing	7-17	20,592	
Exterior Painting	3-7	15,530	
Swimming Pool	0-17	117,593	
Tennis Courts	0-17	43,450	
Playground	8	25,635	
Marina Components	2-27	190,583	
		<u>\$ 1,903,337</u>	<u>\$ 1,393,329</u>