

LONG POINT PROPERTY OWNERS  
ASSOCIATION, INC.

FINANCIAL STATEMENTS

MARCH 31, 2022 AND 2021



Holland, Bromley,  
Barnhill & Brett LLP  
Certified Public Accountants and Business Advisors

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

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## Independent Auditor's Report

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

### Opinion

We have audited the accompanying financial statements of Long Point Property Owners Association, Inc. (the "Association"), which comprise the balance sheets as of March 31, 2022 and 2021, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Prior Period Financial Statements**

We have previously audited the Association's March 31, 2021 financial statements, and we expressed an unmodified audit opinion of those audited financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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  
June 10, 2022

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>	
			<u>2022</u>	<u>March 31,</u> <u>2021</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 174,374	\$ 1,071,945	\$ 1,246,319	\$ 1,075,563
Assessments receivable, net	17,301	-	17,301	9,503
Other receivables	4,345	-	4,345	1,020
Prepaid expenses	7,722	-	7,722	7,722
Due from operating fund	-	190,164	190,164	226,507
Total current assets	<u>203,742</u>	<u>1,262,109</u>	<u>1,465,851</u>	<u>1,320,315</u>
Property and equipment, net	923,535	-	923,535	902,766
Total assets	<u>\$ 1,127,277</u>	<u>\$ 1,262,109</u>	<u>\$ 2,389,386</u>	<u>\$ 2,223,081</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities				
Accounts payable	\$ 8,604	\$ -	\$ 8,604	\$ 11,824
Unearned revenue	90,886	-	90,886	47,722
Deposits	6,540	-	6,540	3,540
Due to reserve fund	190,164	-	190,164	226,507
Total current liabilities	296,194	-	296,194	289,593
Deferred revenue - reserved assessments	-	1,262,109	1,262,109	1,134,240
Accumulated excess of revenues over expenses	831,083	-	831,083	799,248
Total liabilities and fund balances	<u>\$ 1,127,277</u>	<u>\$ 1,262,109</u>	<u>\$ 2,389,386</u>	<u>\$ 2,223,081</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

	<u>Operating Fund</u>	<u>Reserve Fund</u>	For the years ended	
			<u>2022</u>	<u>March 31,</u> <u>2021</u>
<b>REVENUES</b>				
Member assessments	\$ 435,945	\$ 126,000	\$ 561,945	\$ 540,180
Net allocation of assessments to deferred revenues - reserves	(127,869)	-	(127,869)	(82,451)
Contractor decals	48,399	-	48,399	48,235
Boat slip rental	36,288	-	36,288	17,764
Interest income	-	1,003	1,003	1,259
Other income	3,963	-	3,963	2,601
Homeowner guest passes	1,825	-	1,825	1,550
Pool rental	2,910	-	2,910	1,725
Comcast income	5,295	-	5,295	-
Net fund transfers	127,003	(127,003)	-	-
	<u>533,759</u>	<u>-</u>	<u>533,759</u>	<u>530,863</u>
<b>EXPENSES</b>				
Front gate	153,710	-	153,710	165,519
Depreciation	105,156	-	105,156	96,732
Landscaping	80,235	-	80,235	53,979
Swimming pool	58,111	-	58,111	76,963
Professional fees	48,862	-	48,862	45,208
Irrigation	14,650	-	14,650	26,387
Insurance	12,361	-	12,361	12,526
Repairs and maintenance	11,332	-	11,332	14,373
Lagoon	6,056	-	6,056	3,022
Street and roadway	5,067	-	5,067	10,459
General and administrative	3,211	-	3,211	6,475
Bad debt	2,259	-	2,259	1,768
Tennis court	749	-	749	6,149
Dock	165	-	165	659
Income tax	-	-	-	6,600
	<u>501,924</u>	<u>-</u>	<u>501,924</u>	<u>526,819</u>
Excess of revenues over expenses	31,835	-	31,835	4,044
Fund balance - beginning of year	<u>799,248</u>	<u>-</u>	<u>799,248</u>	<u>795,204</u>
Fund balance - end of year	<u>\$ 831,083</u>	<u>\$ -</u>	<u>\$ 831,083</u>	<u>\$ 799,248</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>2022</u>	<u>March 31, 2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of revenues over expenses	\$ 31,835	\$ -	\$ 31,835	\$ 4,044
Adjustments to reconcile excess revenues over expenses to net cash from operating activities:				
Depreciation	105,156	-	105,156	96,732
Loss on disposal of assets	75	-	75	-
Bad debt	2,259	-	2,259	1,768
Changes in:				
Assessments receivable, net	(10,057)	-	(10,057)	752
Other receivables	(3,325)	-	(3,325)	(358)
Prepaid expenses	-	-	-	748
Due from operating fund	(36,343)	-	(36,343)	-
Accounts payable	(3,220)	-	(3,220)	(21,533)
Unearned assessments	43,164	-	43,164	(78,816)
Deposits	3,000	-	3,000	(1,000)
Due from operating fund	-	36,343	36,343	-
Deferred revenue - reserved assessments	-	127,869	127,869	82,451
Net cash provided by operating activities	<u>132,544</u>	<u>164,212</u>	<u>296,756</u>	<u>84,788</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property and equipment	<u>(126,000)</u>	<u>-</u>	<u>(126,000)</u>	<u>(189,934)</u>
Net cash used for investing activities	<u>(126,000)</u>	<u>-</u>	<u>(126,000)</u>	<u>(189,934)</u>
Net increase (decrease) in cash and cash equivalents	6,544	164,212	170,756	(105,146)
Cash and cash equivalents - beginning of year	<u>167,830</u>	<u>907,733</u>	<u>1,075,563</u>	<u>1,180,709</u>
Cash and cash equivalents - end of year	<u>\$ 174,374</u>	<u>\$ 1,071,945</u>	<u>\$ 1,246,319</u>	<u>\$ 1,075,563</u>
Supplementary cash flow information				
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ 6,600
No cash was paid during either year for interest.				

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



LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022 AND 2021

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 real estate development. The development is in Savannah, Georgia and consists of approximately 341 homes and 12 lots.

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. No cash balances exceeded federally insured limits as of March 31, 2022 and 2021.

### 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 \$1,620 and \$1,560 annually per home (\$810 and \$780 annually per lot) for fiscal years ended 2022 and 2021, 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 for the year ended March 31, 2022. 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 2018. 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, 2022.

### 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 \$4,027 and \$1,768 as of March 31, 2022 and 2021, 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 June 10, 2022, 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>2022</u>	<u>2021</u>
Roads and improvements	\$ 955,354	\$ 947,591
Dock facilities	161,916	161,916
Gazebo	146,261	146,668
Swimming pool	192,537	104,466
Tennis courts	57,227	54,352
Security equipment	25,968	25,968
Electric gate	24,465	24,465
Entrance and flag pole	14,738	14,738
Street signs	38,802	14,411
Playground	6,334	6,334
Land	3,368	3,368
Irrigation system and fountain	3,225	3,225
Guard house	3,814	914
Total	1,634,009	1,508,416
Accumulated depreciation	(710,474)	(605,650)
Property and equipment, net	<u>\$ 923,535</u>	<u>\$ 902,766</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, 2022, 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 \$1,071,945 and \$907,733 as of March 31, 2022 and 2021, 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, 2022 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.

#### NOTE 6 - COVID-19

In March 2020, there was a global outbreak of a new strain of coronavirus, COVID-19, which the World Health Organization declared to be a global pandemic. To date, COVID-19 has resulted in government-imposed quarantines, certain travel restrictions and other public health safety measures. The impact of the COVID-19 outbreak on the Association's financial condition and results of operations will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions that could impact the Association. The impact of the COVID-19 outbreak and associated effects on the Association and the overall economy are uncertain and cannot be predicted.

SUPPLEMENTARY INFORMATION

LONG POINT PROPERTY OWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON

FUTURE MAJOR REPAIRS AND REPLACEMENTS

MARCH 31, 2022

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, 2022 was \$1,262,109.

The following information has been compiled from this study regarding estimated useful lives and replacement costs as of the March 2020 report date:

<u>Asset</u>	<u>Estimated remaining useful life (years)</u>	<u>Estimated current replacement cost</u>	<u>Reserve replacement funds as of March 31, 2022</u>
Miscellaneous Site Components	0-17	\$ 136,030	
Street/Lots Resurfacing	7-9	1,169,821	
Fencing and Gates	0-15	78,544	
Storm Water System	0	2,900	
Site Lighting	17	22,800	
Miscellaneous Building Components	0-17	8,100	
Roofing	7-17	19,600	
Exterior Painting	3-7	14,782	
Swimming Pool	0-17	111,929	
Tennis Courts	0-17	41,357	
Playground	8	24,400	
Marina Components	2-27	181,360	
		<u>\$ 1,811,623</u>	<u>\$ 1,262,109</u>