

EAGLE'S POINTE PROPERTY OWNERS' ASSOCIATION, INC.

Financial Statements – Modified Cash Basis

December 31, 2020

(With Independent Accountants' Review Report Thereon)

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.

Financial Statements – Modified Cash Basis

December 31, 2020

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Independent Accountants' Review Report

To the Board of Directors
Eagle's Pointe Property Owners Association, Inc.
Bluffton, South Carolina

We have reviewed the accompanying financial statements of Eagle's Pointe Property Owners Association, Inc., which comprise the statement of assets, liabilities and equity – modified cash basis as of December 31, 2020, and the related statements of revenues, expenses, and changes in equity – modified cash basis and cash flows – modified cash basis 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 the modified cash basis of accounting; 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 the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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 the modified cash basis of accounting.



Required Supplementary Information

The information about future major repairs and replacements of common property on page 10 is 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.

A handwritten signature in black ink that reads "June CPA". The signature is written in a cursive style with a large, looped initial "J".

June CPA

October 8, 2021

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.
Statement of Assets, Liabilities and Equity - Modified Cash Basis
December 31, 2020

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>2020</u>
Assets			
Current assets:			
Cash	\$ 76,432	\$ 414,457	\$ 490,889
Cash, rental deposits	5,000	-	5,000
Assessments receivable, net	5,993	-	5,993
Certificates of deposit	-	120,314	120,314
	<hr/>	<hr/>	<hr/>
Total current assets	87,425	534,771	622,196
	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>87,425</u>	\$ <u>534,771</u>	\$ <u>622,196</u>
Liabilities and Equity			
Liabilities:			
Prepaid assessments	\$ 10,760	\$ -	\$ 10,760
Refundable rental deposits	5,000	-	5,000
	<hr/>	<hr/>	<hr/>
Total current liabilities	15,760	-	15,760
	<hr/>	<hr/>	<hr/>
Equity	71,665	534,771	606,436
	<hr/>	<hr/>	<hr/>
Total liabilities and equity	\$ <u>87,425</u>	\$ <u>534,771</u>	\$ <u>622,196</u>

See accompanying notes to financial statements.

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.

Statement of Revenues, Expenses and Changes in Equity -

Modified Cash Basis

For the Year Ended

December 31, 2020

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>2020</u>
Revenues			
Assessments	\$ 259,058	\$ 74,602	\$ 333,660
Interest income	118	13,517	13,635
Cable royalty income	3,683	-	3,683
Trash collection income	28,557	-	28,557
Owner fines income	2,849	-	2,849
Other income	5,396	-	5,396
	<hr/>	<hr/>	<hr/>
Total revenues	299,661	88,119	387,780
Expenses			
Insurance	9,598	-	9,598
Repairs and maintenance	147,550	-	147,550
Infrastructure expenses	38,256	-	38,256
Professional fees	13,160	-	13,160
Committee expenses	3,469	-	3,469
Security	4,930	-	4,930
Utilities	34,869	-	34,869
Management fee	22,229	-	22,229
Administrative	5,561	-	5,561
General reserve expenses	-	139,072	139,072
Bad debt	3,691	-	3,691
	<hr/>	<hr/>	<hr/>
Total expenses	283,313	139,072	422,385
Excess of revenues over expenses			
(expenses over revenues)	16,348	(50,953)	(34,605)
Other revenue			
Legal settlement	84	-	84
	<hr/>	<hr/>	<hr/>
Total excess of revenue over expenses	16,432	(50,953)	(34,521)
(expenses over revenues)			
Beginning equity balance			
	74,218	566,739	640,957
Interfund transfers			
	(18,985)	18,985	-
	<hr/>	<hr/>	<hr/>
Ending equity balance	\$ 71,665	\$ 534,771	\$ 606,436

See accompanying notes to financial statements.

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended
December 31, 2020

	Operating Fund	Reserve Funds	2020
Net cash provided (used) by operating activities:			
Excess of revenues over expenses (expenses over revenues) \$	16,432	\$ (50,953)	\$ (34,521)
Interfund transfers	(18,985)	18,985	-
Adjustments to reconcile excess of revenues (expenses over revenues) to net cash used by operating activities:			
(Increase) decrease in:			
Certificates of deposit	-	446,425	446,425
Assessments receivable, net	(5,993)	-	(5,993)
Increase (decrease) in:			
Prepaid assessments	10,760	-	10,760
Refundable rental deposits	(2,000)	-	(2,000)
Net cash provided (used) by operating activities	214	414,457	414,671
Net increase (decrease) in cash and cash equivalents	214	414,457	414,671
Beginning cash	81,218	-	81,218
Ending cash	\$ 81,432	\$ 414,457	\$ 495,889
Supplemental disclosure:			
Interest paid			\$ -
Income taxes paid			\$ -

See accompanying notes to financial statements.

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.

Notes to Financial Statements – Modified Cash Basis

December 31, 2020

(1) Organization

Eagle's Pointe Property Owners Association, Inc. ("Association") is a statutory Association organized as a not-for-profit corporation under the laws of the State of South Carolina on December 12, 1997. The Association was established to own, manage and maintain common property for, and furnish services to, the members of the Association, who are owners of real property within Eagle's Pointe in Beaufort County, a planned development golf community in Bluffton, South Carolina. Revenue for the Association is principally derived from assessments of property owners within Eagle's Pointe. Eagle's Pointe encompasses approximately 300 acres and 249 units, has a golf course with a clubhouse, a lake, lagoons, tennis courts, pickle ball courts, a basketball court, a fitness center, a swimming pool, a picnic area with a playground and outdoor entertainment center, covered pavilion and fireplace for use by residents.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Association is on the modified cash basis of accounting where it records assessments when collected for future period as a prepaid assessment liability. Expenses are recorded when paid.

To ensure observances 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 for the general operations of the Association.

Reserve Fund

This fund is used to accumulate and account for resources designated for future major repairs and replacements of existing infrastructure and equipment.

(b) Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all investments purchased with original maturities of three months or less to be cash equivalents. Such investments are stated at cost which approximates fair market value.

(c) Income Taxes

A homeowners' association may be taxed either as a homeowners' association or as a regular corporation. The Association filed as a homeowners' association for the year ended December 31, 2020. As a regular corporation, income is taxed at the regular federal and state corporate income tax rates. Losses from membership activities cannot be used to offset interest income and income derived from non-members. Certain restricted elections can be made to apply excess membership assessments to the succeeding year and to treat assessments for current and future capital

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.

Notes to Financial Statements – Modified Cash Basis

December 31, 2020

acquisitions as non-taxable paid-in capital assessments. As a homeowners' association, membership income is exempt from taxation, and only non-membership income, less allowable expenses is taxed.

(d) Uncertainty in Income Taxes

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Association's federal and state returns will not be challenged by taxing authorities and that the Association will not be subject to tax, penalties and interest as a result of such challenge. Generally, the Association's tax returns remain open for examination by governmental authorities for three years subsequent to their original filing.

(e) Future Major Repairs and Replacements

The Association currently designates a portion of the regular annual assessment for current and future major repairs and replacements, and general reserves. Funds designated for future major repairs and replacements are recorded in these reserve funds and are held in segregated bank accounts which are generally not available for operating purposes.

(f) Revenue Recognition

The Association recognizes assessment revenue when collected.

(g) Property and Equipment

Common areas and roadways are owned by the Association but are not recorded in the listing of property and equipment. The Association incurs maintenance costs on all its common areas and roadways. Repairs and replacements are expensed as incurred.

(h) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Recoveries of costs from third parties, which are probable of realization, are separately recorded as assets, and are not offset against the related liability.

(i) Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.

Notes to Financial Statements – Modified Cash Basis

December 31, 2020

(j) Subsequent Events

Management of the Association has evaluated events and transactions subsequent to December 31, 2020 through October 8, 2021, the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements.

(3) Commitments and Contingencies

The Association has annual contracts with various vendors for certain services.

The Association has a contract with Hargray, a cable provider, to exclusively market and promote them and in return will receive, within 30 days after the end of each quarter, 3% of revenues received by the cable provider for the sale of the services, basic voice, basic video, and basic data from the homeowners of the Association.

The Association is subject to various claims, litigation and contingencies which are in the normal course of business. Management believes that the ultimate liability, if any, arising from such claims is not likely to have a material adverse effect on the results of operations, financial position or liquidity.

(4) Concentrations

(a) Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalent accounts held at financial institutions. The credit worthiness of the parties to these transactions is subject to continuous review and evaluation.

The cash balances are held as deposits with financial institutions. Such balances are secured by the Federal Deposit Insurance Corporation up to \$250,000. The Association monitors its positions with, and the credit quality of, the financial institution which is counterparty to its financial instruments and does not anticipate nonperformance by this financial institution. There were no uninsured balances at December 31, 2020.

(b) Geographic Concentration

Due to Eagle's Pointe being located in Bluffton, South Carolina and the Association's dependence upon its assessments and fees on owners for funding, a significant economic dependency exists on the area's ability to remain an attractive tourism and residential location as well as the owners' personal financial conditions.

(c) Supplier Concentration

Significant customers and suppliers are those that account for greater than 10% of the Association's revenues and purchases. The Association had no significant customer concentration in the year ended December 31, 2020. The Association purchased a substantial portion of services and materials from a vendor. The Association believes that there are

EAGLE'S POINTE PROPERTY OWNERS ASSOCIATION, INC.

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numerous other suppliers that could be substituted should the supplier become unavailable or non-competitive.

(5) Future Major Repairs and Replacements

The Association conducted a study to determine the remaining useful lives of the components of common property and to estimate the costs of future major repairs and replacements on July 26, 2019. Funds are being accumulated in the replacement reserve fund based on estimates of future needs for repairs and replacements of components of common property. Actual expenditures may vary from estimated future expenditures, and the variations may be material. Therefore, accumulated amounts may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed for repairs and replacements, the Association has the right, subject to board/member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacement until funds are available. See page 10 for a summary of this study.

We do not express an opinion or provide any assurance on the information because the limited procedures we applied to it do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Information on Future Major Repairs and Replacements

Miller Dodson conducted a level 2 update study with site visit/on-site review based on the cash flow method and estimated the remaining useful lives and replacement costs of the components of common property in July 2019. The study included inspection and evaluation of the common property throughout the Association. Replacement costs were based on the estimated costs to repair or replace the common property components on the date of the study. Estimated current replacement costs have taken into account the effects of expected inflation, estimated at 2.30% between the date of the study and through 2023 that the components will require repair or replacement. Miller Dodson recommended that inflation rates be compared to rates published by the Bureau of Labor Statistics. If there is a greater than 1% discrepancy they recommend they be contacted prior to using their inflation adjusted funding recommendations. The future years have not been adjusted for inflation, as a professional update is recommended every three to five years.

The following information is based on the study performed in 2019 and presents significant information about the components of common property from 2021 through 2059 that has not been updated with actual expenditures in 2020. The total reserve fund balance at December 31, 2020 is \$534,771. The reserve study notes that the current funding is inadequate to fund the projected replacements scheduled.

<u>Components</u>	<u>Estimated Remaining Lives(years)</u>	<u>Estimated Replacement Cost (Inflation Adjusted)</u>	<u>Fund Balance at December 31, 2020</u>
Ponds	2-25	\$ 573,327	\$ 83,080
Play Area	2-8	63,110	9,145
Asphalt	3-8	1,486,130	215,354
Bocce	2-11	114,000	16,520
Concrete	6	209,468	30,354
Pools and Pool Areas	5-40	885,628	128,336
Pavilion	5-29	82,155	11,905
Street Signage	13	5,000	725
Storm Water Drainage	5	4,800	696
Speed Bumps	8	19,200	2,782
Fitness Center	13	70,065	10,153
Tennis Court	2-14	177,503	25,722
Totals		<u>\$ 3,690,386</u>	<u>\$ 534,771</u>