

JAMES LANDING PROPERTY OWNERS ASSOCIATION

FINANCIAL STATEMENTS

Year Ended

December 31, 2020

JAMES LANDING PROPERTY OWNERS ASSOCIATION

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Independent Auditor's Report

To the Board of Directors and Owners of
James Landing Property Owners Association
Jamestown, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of James Landing Property Owners Association, which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James Landing Property Owners Association as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 11 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Certified Public Accountant
Jamestown, North Carolina

March 19, 2021

JAMES LANDING PROPERTY OWNERS ASSOCIATION

Balance Sheet As of December 31, 2020

	Assets		
	Operating Fund	Replacement Fund	Total
Current Assets			
Cash and Cash Equivalents	\$ 12,381	\$ 152,996	\$ 165,377
Prepaid Insurance	670	-	670
Total Assets	<u>\$ 13,051</u>	<u>\$ 152,996</u>	<u>\$ 166,047</u>
 Liabilities and Fund Balances			
Current Liabilities			
Assessments received in advance	\$ 4,557	\$ -	\$ 4,557
Total Current Liabilities	<u>4,557</u>	<u>-</u>	<u>4,557</u>
Other Liabilities			
Contract Liabilities - Assessments received in advance (Replacement Fund)	-	152,996	152,996
Total Other Liabilities	<u>-</u>	<u>152,996</u>	<u>152,996</u>
Total Liabilities	4,557	152,996	157,553
Fund Balances	<u>8,494</u>	<u>-</u>	<u>8,494</u>
Total Liabilities and Fund Balances	<u>\$ 13,051</u>	<u>\$ 152,996</u>	<u>\$ 166,047</u>

See independent accountant's audit report and notes to the financial statements.

JAMES LANDING PROPERTY OWNERS ASSOCIATION

Statement of Revenues, Expenses, and Changes in Fund Balance For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Revenues			
Member assessments	\$ 28,200	\$ 389	\$ 28,589
Interest income	-	327	327
Total Revenues	<u>28,200</u>	<u>716</u>	<u>28,916</u>
Expenses			
Management fees	6,900	-	6,900
Audit fees	800	-	800
Postage and mail	11	-	11
Insurance	1,060	-	1,060
Office supplies	12	-	12
Resident activities	40	-	40
Website	470	-	470
Administrative expenses	420	-	420
Building maintenance	549	-	549
Grounds maintenance	1,995	-	1,995
Landscape contract	8,936	-	8,936
Pond maintenance	4,126	930	5,056
Total Expenses	<u>25,319</u>	<u>930</u>	<u>26,249</u>
Revenues Over (Under) Expenses	2,881	(214)	2,667
Beginning Fund Balance	<u>5,613</u>	<u>214</u>	<u>5,827</u>
Ending Fund Balance	<u><u>\$ 8,494</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,494</u></u>

See independent accountant's audit report and notes to the financial statements.

JAMES LANDING PROPERTY OWNERS ASSOCIATION

Statement of Cash Flows For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Revenues Over (Under) Expenses	\$ 2,881	\$ (214)	\$ 2,667
Adjustments to reconcile revenue over (under) expenses to net cash provided by operating activities:			
Increase (decrease) in:			
Assessments received in advance - Operating	4,425	-	4,425
Assessments paid in advance - Replacement	-	41,410	41,410
Net Cash Provided (Used) by Operating Activities	<u>7,306</u>	<u>41,196</u>	<u>48,502</u>
Net Increase (Decrease) in Cash	7,306	41,196	48,502
Beginning cash and equivalents	<u>5,075</u>	<u>111,800</u>	<u>116,875</u>
Ending cash and equivalents	<u><u>\$ 12,381</u></u>	<u><u>\$ 152,996</u></u>	<u><u>\$ 165,377</u></u>

See independent accountant's audit report and notes to the financial statements.

JAMES LANDING PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION

James Landing Property Owners Association (the "Association") is incorporated as a not-for-profit corporation in the the State of North Carolina. The Association serves as a master association for several member associations consisting of a shopping center, apartment complex, and the individual homeowners from the James Landing neighborhood, located in Jamestown, North Carolina. The Association is responsible for the operation and maintenance of the common areas and entrance signage along Piedmont Parkway, including two lakes, dams and associated spillways, and the wood structures within the lakes. The Association began its operations in August, 1993.

NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 19, 2021, the date that the financial statements were available to be issued.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide guidelines for governing its financial activities. To ensure observance of limitations and restrictions placed on the use of financial resources, the Association maintains it 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.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and future major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

JAMES LANDING PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Member Assessments-Continued

At December 31, 2020, the Association had no delinquent assessments due from member associations. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control.

Contract Liabilities (Assessments Received in Advance-Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. Contract liabilities (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. During the current period, the Association assessed and received \$41,800 for the replacement fund. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$115,586 and \$152,996, respectively.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

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 individual units. Such property is not recorded in the Association's financial statements because these properties are owned by the individual unit owners in common and not by the Association. Capitalized common property and equipment acquired by the Association is recorded at cost and depreciated over its estimated useful life using the straight-line method of depreciation.

Cash and Cash Equivalents

For purposes of reporting cash or cash equivalents in the statement of cash flows, the Association includes all cash accounts and other time deposits with a maturity of three months or less as cash and cash equivalents.

JAMES LANDING PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 4. INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2020. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 2.5% by the State of North Carolina.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in a separate savings account (replacement fund) and are generally not available for operating purposes. Accumulated funds, which aggregate \$152,996, are presented on the accompanying balance sheet as a contract liability (assessments received in advance--replacement fund) at December 31, 2020.

The Association performed a full reserve study in 2013 to estimate the remaining useful lives of the components of common property and to determine a capital needs plan. The reserve study was updated in October 2017 to forecast obligations for the community for twenty years into the future, assuming an annual inflation rate of 3% and a rate of return on deposited reserve funds of 1.5% annually.

JAMES LANDING PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS - CONTINUED

The results of the updated study concluded that the current funding rate is not sufficient to cover the costs of future major repairs or replacements. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, however, the Association has the right, subject to board approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

NOTE 6. INSURED CASH BALANCES

The Association maintains cash balances at a financial institution located in the United States. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. All cash balances held by the Association were fully insured at December 31, 2020.

NOTE 7. MANAGEMENT SERVICES

Golden Property Management, LLC, the managing agent for the Association, provides various services to the Association as authorized by the Board of Directors. In addition to the management of the Association, those services may include repairs and maintenance services.

SUPPLEMENTARY INFORMATION

JAMES LANDING PROPERTY OWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS**

December 31, 2020

(UNAUDITED)

The Association's management has prepared a schedule of anticipated remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the reserve study provided by Criterium-Giles Engineers and completed in March 2013 and the updated reserve study which was completed in October 2017. Replacement costs do take into account the effect of inflation through the date that the components will require repair or replacement. The following is significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Cost</u>
Dam repairs	6	\$ 75,000
Dredge Lake A	15	100,000
Dredge Lake B	0	82,554
Sediment mapping	0	20,000
Replace wood dock	2	5,750
Other drainage pond repairs	1-11	32,550
Entrance sign, lighting, fencing	4-10	<u>14,920</u>
		<u>\$ 330,774</u>