

Community Services Associates, Inc.

***Report on Consolidated Financial
Statements***

For the Years Ended December 31, 2020 and 2019

Community Services Associates, Inc.

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Board Officers

Larry Movshin	Chair
James Kaskie	Vice Chair
David Borghesi	Treasurer
Carolyn Adams	Secretary

Independent Auditor's Report

To the Board of Directors
Community Services Associates, Inc.
Hilton Head Island, South Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Community Services Associates, Inc. (the "Association"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of revenues and expenses, changes in fund balances and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, we 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 2 to the consolidated financial statements, the Association has elected not to consolidate two affiliates. Accounting principles generally accepted in the United States of America require that these two related parties be consolidated due to the level of control exercised over them and their overall economic dependency on the Association. The effect of this departure on the Association's consolidated financial position, results of operations and cash flows has not been determined.

Qualified Opinion

In our opinion, except for the effects of not consolidating two affiliates as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Services Associates, Inc. as of December 31, 2020 and 2019 and the changes in its fund balances and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 21 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic consolidated 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
April 21, 2021

Community Services Associates, Inc.**Consolidated Balance Sheets****As of December 31, 2020 and 2019**

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 3,010,591	\$ 579,808
Investments, at Fair Value	10,403,549	9,775,728
Due from Property Owners, Net of Allowance for Uncollectible Assessments of \$53,372 in 2020 and \$48,169 in 2019	155,691	73,753
Due from Related Parties	366,419	157,142
Prepaid Expenses and Deposits	1,000	-
Total Current Assets	13,937,250	10,586,431
Property and Equipment, Net	8,415,070	9,015,232
Right of Use Asset	149,373	223,771
Total Assets	<u>\$ 22,501,693</u>	<u>\$ 19,825,434</u>
Liabilities and Fund Balances		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 357,568	\$ 598,031
Retainage Payable	31,760	29,949
Accrued Payroll and Related Benefits	535,989	358,348
Due to Property Owners	-	493,547
Operating Lease Liability	75,858	73,132
Deferred Revenue	2,570,617	189,372
Total Current Liabilities	3,571,792	1,742,379
Non-Current Liabilities		
Operating Lease Liability	78,579	154,437
Total Liabilities	3,650,371	1,896,816
Fund Balances		
Undesignated	2,334,182	917,634
Designated		
Board Designated for Property and Equipment	8,415,070	9,015,232
Board Designated for Capital Replacement	5,114,517	5,114,517
Board Designated for Emergency	2,500,000	2,500,000
Board Designated for Specific Operational	487,553	381,235
Total Fund Balances	18,851,322	17,928,618
Total Liabilities and Fund Balances	<u>\$ 22,501,693</u>	<u>\$ 19,825,434</u>

See Notes to Consolidated Financial Statements.

Community Services Associates, Inc.
Consolidated Statements of Revenues and Expenses
For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenues		
Assessments and Fees		
Residential Assessments	\$ 6,440,690	\$ 6,316,709
Special Assessments	-	432,692
Sea Pines Resort Assessments	261,205	268,234
Other Commercial Assessments	85,562	74,570
Gate Entry and Permit Fees	5,164,039	5,382,713
Other Operating Revenue	352,413	293,654
Total Assessments and Fees	<u>12,303,909</u>	<u>12,768,572</u>
Expenses		
Maintenance	3,459,113	3,319,656
Safety and Security	3,423,102	2,948,386
Sea Pines Trolley	230,876	353,081
General and Administrative	2,433,166	2,432,623
Facilities	410,736	448,353
Major Repair and Replacement Projects	2,159,109	1,511,205
Depreciation	776,838	734,834
Hurricane Matthew Expenses	-	232,415
Hurricane Dorian Expenses	-	60,212
Total Expenses	<u>12,892,940</u>	<u>12,040,765</u>
Revenues Over (Under) Expenses from Operations	<u>(589,031)</u>	<u>727,807</u>
Other Income, Net		
Investment Income	540,463	682,058
Governmental Grant	1,110,500	-
Other Income (Expense)	(139,228)	(82,208)
Total Other Income, Net	<u>1,511,735</u>	<u>599,850</u>
Revenues Over Expenses	<u>\$ 922,704</u>	<u>\$ 1,327,657</u>

See Notes to Consolidated Financial Statements.

Community Services Associates, Inc.
Consolidated Statements of Changes in Fund Balances
For the Years Ended December 31, 2020 and 2019

	Undesignated	Designated For Property and Equipment	Designated For Capital Replacement	Designated For Emergency	Designated For Specific Operational	Total
Fund Balances, January 1, 2019	\$ 100,000	\$ 8,572,542	\$ 5,114,517	\$ 2,500,000	\$ 313,902	\$ 16,600,961
Revenues Over (Under) Expenses	884,967	(734,834)	1,177,524	-	-	1,327,657
Purchases of Property and Equipment, Net of Sales	-	1,177,524	(1,177,524)	-	-	-
Allocated to Specific Operational	(67,333)	-	-	-	67,333	-
Fund Balances, December 31, 2019	917,634	9,015,232	5,114,517	2,500,000	381,235	17,928,618
Revenues Over (Under) Expenses	1,522,866	(780,988)	180,826	-	-	922,704
Purchases of Property and Equipment, Net of Sales	-	180,826	(180,826)	-	-	-
Allocated to Specific Operational	(106,318)	-	-	-	106,318	-
Fund Balances, December 31, 2020	\$ 2,334,182	\$ 8,415,070	\$ 5,114,517	\$ 2,500,000	\$ 487,553	\$ 18,851,322

See Notes to Consolidated Financial Statements.

Community Services Associates, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating activities		
Revenues Over Expenses	\$ 922,704	\$ 1,327,657
Adjustments to Reconcile Revenues Over Expenses to		
Net Cash Provided By Operating Activities:		
Depreciation	776,838	734,834
Gain on Disposal of Property and Equipment	(30,305)	(58,939)
Unrealized (Gain) Loss on Investments	(197,284)	(283,009)
Non Cash Rental Expense	1,266	3,798
(Increase) Decrease in:		
Due from Property Owners, Net	(81,938)	(22,127)
Due from Related Parties	(209,277)	45,241
Other Receivables	-	11,434
Prepaid Expenses and Deposits	(1,000)	4,717
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(62,822)	(58,570)
Retainage Payable	1,811	(117,322)
Due to Related Parties	-	(122,748)
Due to Property Owners	(493,547)	493,547
Deferred Revenue	2,381,245	(150,354)
Special Assessments Deferred Revenue	-	(926,239)
Net Cash Provided By Operating Activities	<u>3,007,691</u>	<u>881,920</u>
Investing Activities		
Purchases of Investments	(4,999,394)	(5,493,901)
Proceeds from Sale of Investments	4,568,857	5,523,167
Proceeds from Disposal of Property and Equipment	34,455	-
Purchases of Property and Equipment	(180,826)	(1,006,953)
Net Cash Used For Investing Activities	<u>(576,908)</u>	<u>(977,687)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,430,783	(95,767)
Cash and Cash Equivalents, Beginning of Year	579,808	675,575
Cash and Cash Equivalents, End of Year	<u>\$ 3,010,591</u>	<u>\$ 579,808</u>

See Notes to Consolidated Financial Statements.

Community Services Associates, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1. Nature and Governance of Association

Nature of Association

Community Services Associates, Inc. ("CSA" or "Association") was established in September 1987 as a non-profit membership corporation for the Sea Pines planned community. CSA accepted title to the community properties and assumed the non-delegable duties and declarant rights pursuant to the Declaration of the Covenants and Agreements of the Sea Pines Plantation Property Owners dated September 7, 1974. CSA commenced operations effective January 1, 1989.

Sea Pines is a planned community development that began as an integrated resort, residential, and recreational community which consists of Sea Pines Resort ("SPR"), commercial businesses, residential single and multi-family dwelling units (maximum 5,890 units), and community properties that are located within the Town of Hilton Head Island, South Carolina.

CSA's mission is to protect, maintain, and enhance the resources of Sea Pines for the benefit of the Sea Pines community. CSA provides community security and maintenance services within Sea Pines and also performs the duties, exercises the rights and manages the community properties and interests of Sea Pines property owners so as to enhance and protect their mutual interests on a basis that does not discriminate among owners.

CSA manages community properties that include conservancy and open space, paved roads, leisure trails, beach walkways and boardwalks over sand dunes, drainage network (lagoons, canals, pipes, culverts, inlets, ditches, ponds, greenbelts, some wetland and marsh areas), bridges and other community services land, buildings, parks, breezeways, recreation areas, and other common real and personal property.

Governance

The CSA Board of Directors (the "Board") is comprised of nine Class A directors (elected by Class A members) and eight Class B directors (four of which are designated by SPR and four of which are elected by other Class B non-residential property owners).

Class A members are owners of single-family lots, single-family dwelling units and multi-family dwelling units with one vote for each lot and/or unit, essentially residential property owners.

Class B members (other than SPR) are property owners other than Class A members (including owners of business land, commercial properties and parcels held for development). These Class B members elect four directors and are each entitled to one Class B vote and shall have one additional vote for each \$500 of assessments over and above the first \$500 in assessments paid in the prior year for the purpose of electing Class B Directors.

Voting privileges of both Class A and Class B members are subject to suspension for nonpayment of assessments.

Community Services Associates, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

Financial statement presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and are presented in accordance with industry standards for a common interest realty association ("CIRA"), as set forth by accounting principles generally accepted in the United States of America ("GAAP").

The accompanying consolidated financial statements include the accounts of CSA and its wholly owned subsidiary, Sea Pines Plantation Trolley Company, LLC. All significant intercompany transactions and balances have been eliminated.

CSA's officers serve on and have appointment authority, with approval of the CSA Board, over the respective boards of Sea Pines Forest Preserve Foundation, Inc. ("SPFPF") and Six Oaks Cemetery, Inc. ("SOC"). Accordingly, the financial statements of SPFPF and SOC should be consolidated with CSA due to this level of control and their overall economic dependency on the Association. However, the Association believes the operations of these entities are not compatible to its operations, and the Association provided no financial subsidy to either entity. Therefore the Association has elected not to consolidate these two entities and to present only the financial position and results of operations of CSA and its wholly owned subsidiary. Transactions with these related parties are further described in Note 12. Unaudited financial information of SPFPF and SOC are presented in the accompanying Supplementary Information.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect CSA's financial position, results of operations and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Accordingly, actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, depository accounts and money market accounts and certificates of deposit with an original maturity date of 90 days or less. Certificates of deposit with original maturities of more than 90 days, U.S. Treasury Bills, and debt securities are treated as investments.

Investments

Investments are reported at fair value.

Due from property owners

CSA members are subject to annual assessments to provide funds for CSA's operating expenses, capital acquisitions and major repairs and replacements. Due from property owners represents assessments and fees due from Sea Pines property owners at the balance sheet dates.

Community Services Associates, Inc.**Notes to Consolidated Financial Statements****December 31, 2020 and 2019**

Note 2. Summary of Significant Accounting Policies, continued

CSA's policy is to retain legal counsel and place a magistrate's judgement on the properties and respective property owners whose assessments are delinquent for ninety days or more. Management's policy is to write off a receivable only after all collection efforts have been exhausted.

Due from property owners, continued

An allowance for uncollectible assessments on outstanding balances has been established based on estimates by management in review of specific accounts as well as historical experience. Bad debt expense for the years ended December 31, 2020 and 2019 was \$13,377 and \$19,537, respectively.

Property, equipment and depreciation

Property includes purchased land, community services buildings, furniture, fixtures, and equipment for expenditures with a useful life over one year or where it extends the useful life of an existing asset. Depreciation is provided for capitalized buildings, furniture, fixtures, and equipment using the straight-line method over the estimated useful lives of the respective assets. Estimated lives of the depreciable property and equipment range from 3 to 40 years.

In accordance with common industry practices, the community real property assets transferred to CSA in September of 1987 are not recorded as assets in these consolidated financial statements because CSA lacks incidence of ownership in that it cannot dispose of the property and retain the proceeds without 100% approval of all property owners. Property owned and maintained but not capitalized by CSA includes roadways, several tracts of open space and parks, walkways, drainage systems, and other real and personal property.

Designated funds

Property and Equipment: The Property and Equipment Fund represents CSA's investment in property and equipment recorded at cost, net of accumulated depreciation. As of December 31, 2020 and 2019, the balance was \$8,415,070 and \$9,015,232, respectively.

Capital Replacement: The Capital Replacement Fund is used to accumulate financial resources designated for future major repairs and replacement of common property. As of December 31, 2020 and 2019, the amount available was \$5,114,517.

Management of CSA received a related reserve study in June 2020. Funds for future major repairs and replacements are being accumulated as deemed necessary by management and the Board of Directors to meet estimated future capital replacement obligations. Actual future expenditures may vary materially from those estimates. Therefore, amounts accumulated in the Capital Replacement Fund may not be adequate to meet future needs.

Emergency: The Emergency Fund is used to accumulate financial resources designated in the event of a disaster or other emergency. As of December 31, 2020 and 2019, the balance in the Emergency Fund was \$2,500,000.

Community Services Associates, Inc.**Notes to Consolidated Financial Statements****December 31, 2020 and 2019**

Note 2. Summary of Significant Accounting Policies, continued

Specific Operational: The Specific Operational Fund is used to accumulate financial resources for other operational activities, including \$375,119 and \$330,078 for marketing and trolley lot improvements and \$112,434 and \$51,157 for dredging permit, mobilization and water quality testing as of December 31, 2020 and 2019, respectively.

Revenue recognition

CSA's primary sources of revenue are derived from residential and commercial property owner assessments and gate entry fees and permits. Virtually all of CSA's revenues relate to performance obligations that are satisfied over time (typically all or a portion of the calendar year), except for gate entry fees, special assessments and other operating revenue aggregating \$4,363,215 and \$4,952,724 for the years ended December 31, 2020 and 2019, respectively, which performance obligation is satisfied at a point in time.

Annual assessments are recognized as revenue in the year for which they are assessed. Gate fees and permit revenue are recognized as earned, typically at the time of the associated transaction. Gate entry fees consist of gate pass revenues collected from non-guest visitors to the community. Annual gate entry permits consist of revenue from the sale of vehicle decals to vendors and other non-residents who want frequent access to the community.

Major repair and replacement projects

Major repair and replacement project expense includes the cost to develop conceptual plans based on physical and aesthetic standards as well as project supervision, labor and materials costs. The projects include roads, bridges, storm water drainage, trails, beach walkways, boardwalks, curbs, fences, landscaping, historic site preservation, and any other projects for the benefit of the Sea Pines Community.

Income tax status

CSA self-declared exempt status effective 2014 and subsequently obtained formal Internal Revenue Service ("IRS") recognition of exempt status under its Section 501(c)(4) of the Internal Revenue Code ("IRC"). CSA files IRS Form 990 as a tax-exempt organization.

GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance is also provided on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, and disclosure. Management has evaluated the tax positions of CSA and does not believe that any uncertain tax positions or unrecognized tax benefits exist as of and for the years ended December 31, 2020 or 2019.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through April 21, 2021, which is the date these consolidated financial statements were available to be issued.

Community Services Associates, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 3. Cash and Cash Equivalents

CSA's cash and cash equivalents had book balances totaling \$3,010,591 and \$579,808 and bank balances totaling \$3,117,867 and \$597,528 at December 31, 2020 and 2019, respectively.

CSA maintains its cash, cash equivalents and certificates of deposit with several financial institutions. The balances in these accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution at December 31, 2020 and 2019. CSA also maintains cash, cash equivalents and certificates of deposits in brokerage accounts. The brokerage accounts are insured by the Securities Investor Protection Corporation up to \$500,000. Amounts in excess of \$500,000 are secured by additional coverage paid for by the brokerage company.

Coverage for these balances at December 31 was as follows:

	2020	2019
Insured		
Insured by the Federal Deposit Insurance Corporation	\$ 250,000	\$ 250,000
Insured by Securities Investor Protection Corporation	12,714	127,001
	<u>262,714</u>	<u>377,001</u>
Uninsured and Uncollateralized	2,855,153	220,527
Total Bank Balances	<u>\$ 3,117,867</u>	<u>\$ 597,528</u>

In February of 2021, CSA invested \$2,500,000 in United States Treasury bills that are due to mature in the later part of 2021 to meet expenditure needs.

Note 4. Assessments and Fees

Annual property owner assessments

For 2020 and 2019, residential property assessments of \$1,095 and \$1,076, respectively, were billed for each developed property and \$652 and \$641, respectively, for each undeveloped property. If construction begins on an undeveloped property during the year, an additional assessment is made for the prorated difference between the assessments for the developed and undeveloped properties. Once a property is developed, it is considered to always be developed. Annual operating assessments may be greater or less than, or the same as, the assessment for the previous year, provided that no such increase exceeds the increase in the Consumer Price Index ("CPI") for the most recent 12 month period prior to such determination. If the Board fails to determine the annual assessment for any year, the annual assessment for such year shall be the same as the previous year.

SPR contributes annually toward the funding of community services at one-half of one percent (0.5%) of the adjusted gross resort revenue that they earned during the immediately preceding fiscal year. This amounted to \$261,205 and \$268,234 for the years ended December 31, 2020 and 2019, respectively. All other business landowners whose properties are not owned, managed or controlled by SPR, contribute one percent (1%) of adjusted gross resort revenue.

Community Services Associates, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 4. Assessments and Fees, continued

“Resort revenue” is defined as all revenues and receipts derived from the operation of resort facilities in Sea Pines Plantation, including golf courses, tennis courts, rental boats and slips, restaurants and bars, hotels, motels, inns, rental homes and condominiums, retail shops and commercial facilities of all kinds.

“Adjusted gross resort revenue” is resort revenue, as defined above, less taxes and licenses as they apply to the resort revenue multiplied by a fraction, the numerator of which shall be one (1), and the denominator of which shall be one (1) plus the percentage increase of the Consumer Price Index (“CPI”) for the year of calculation over the index for the preceding year.

SPR’s and third party commercial land owners’ assessments are also increased by the CPI % factor that is applied to residential property assessments relative to the year that the assessment is due.

Special assessments

The Board, by a vote of two-thirds (2/3) of its members, may levy a special assessment for emergency funding following an extraordinary disaster as declared by an appropriate government agency for damage to common properties. The Board may levy such special assessments for an amount not to exceed the total amount of the annual assessment in effect for the current year. Special assessments in excess of that amount must be approved by a referendum. Special Assessments are recognized in revenue when related expenses have been incurred.

In November of 2016, CSA’s Board approved a special assessment to provide funding for both immediate and projected storm cleanup, repairs, and restoration related to Hurricane Matthew, which struck Hilton Head Island in October of 2016. Special assessments receipts in excess of amounts expended as of December 31, 2018 amounted to \$926,239. During 2019, CSA incurred \$232,415 of additional remediation expenditures.

In November of 2019, CSA’s Board approved to (i) refund to property owners unspent Hurricane Matthew special assessments funds of \$693,824 and (ii) levy special assessment charges aggregating \$200,277 for clean up and restoration expenditures related to Hurricanes Dorian (in the amount of \$60,212) and Irma (in the amount of \$140,065) which struck Hilton Head Island in 2019 and 2017, respectively. The net balance due to property owners as a result of these Board decisions of \$493,547 at December 31, 2019 is shown as a similarly captioned liability in the accompanying Consolidated Balance Sheet. Each property owner’s 2020 annual assessment was adjusted for their respective share of such net refund.

Access fees

For the years ended December 31, 2020 and 2019, Grande Ocean Resort access fees of \$1,095 and \$1,076, respectively, were billed for each time share unit for a non-exclusive easement to access Sea Pines Plantation. These amounts totaled \$317,550 and \$313,067 for the years ended December 31, 2020 and 2019, respectively, and are included in Gate Entry and Permit Fees on the Consolidated Statements of Revenue and Expenses.

Community Services Associates, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 4. Assessments and Fees, continued

Agreement with the Town of Hilton Head Island

CSA has an agreement with the Town of Hilton Head Island, South Carolina (the "Town") to receive reimbursement for repairs and replacements of the storm water infrastructure incurred by CSA. CSA has submitted approximately \$540,000 in requests for reimbursement which are currently outstanding. The agreement limits the Town's liability to the extent of available funding it receives from Beaufort County, South Carolina. Because of uncertainty of collection, CSA has not recorded a receivable under this agreement. Any such reimbursements will be recorded as Other Income when received.

Note 5. Investments

CSA's Board of Directors (the "Board") approved the following investment policy in 2017:

"CSA shall hold designated and non-designated funds in non-equity investments, which may include deposits at acceptable financial institutions, federal government or agency securities, or investment grade corporate or municipal securities. The Board shall review and approve the investment policy annually. CSA's finance committee shall monitor investment performance and adherence to this policy on a quarterly basis."

CSA's investments as of December 31, 2020 and 2019 were comprised of non-equity marketable securities and certificates of deposit with original maturity dates greater than 90 days:

At December 31,	Earlier date either callable or due	Unrealized holding gain			
		Cost	on securities	Accrued Interest	Fair Market Value
2020	January 2021 - September 2028	<u>\$ 9,910,427</u>	<u>\$ 426,697</u>	<u>\$ 66,425</u>	<u>\$ 10,403,549</u>
2019	January 2020 - September 2028	<u>\$ 9,553,544</u>	<u>\$ 141,234</u>	<u>\$ 80,950</u>	<u>\$ 9,775,728</u>

Investment income for the years ended December 31, 2020 and 2019 is comprised as follows:

	2020	2019
Interest Income	<u>\$ 338,275</u>	<u>\$ 384,902</u>
Appreciation of investments	<u>197,284</u>	<u>283,009</u>
Realized gain on sale of investments	<u>4,904</u>	<u>14,147</u>
	<u>\$ 540,463</u>	<u>\$ 682,058</u>

Community Services Associates, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 5. Investments, continued

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Investments in bonds and fixed income securities are valued using broker inputs derived from secondary and over-the-counter markets, and are classified as Level 2 because they are not traded in an active market via public exchanges.

Fair values of assets and liabilities measured on a recurring basis at December 31 are as follows:

2020				
	Level 1	Level 2	Level 3	Fair Value
Investments				
Fixed Income Securities	\$ -	\$ 7,332,145	\$ -	\$ 7,332,145
Mutual Bond Funds	2,659,207	-	-	2,659,207
Certificates of Deposit	412,197	-	-	412,197
	<u>\$ 3,071,404</u>	<u>\$ 7,332,145</u>	<u>\$ -</u>	<u>\$ 10,403,549</u>
2019				
	Level 1	Level 2	Level 3	Fair Value
Investments				
Municipal Bonds	\$ -	\$ 77,283	\$ -	\$ 77,283
Fixed Income Securities		8,107,261	-	8,107,261
Mutual Bond Funds	744,368	-	-	744,368
Certificates of Deposit	846,816	-	-	846,816
	<u>\$ 1,591,184</u>	<u>\$ 8,184,544</u>	<u>\$ -</u>	<u>\$ 9,775,728</u>

Community Services Associates, Inc.**Notes to Consolidated Financial Statements****December 31, 2020 and 2019**

Note 6. Property and Equipment

Major classifications of property and equipment and their respective depreciable lives are summarized below:

<u>Description</u>	<u>Estimated Life Range (Years)</u>	<u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>2020</u>
Land		\$ 4,621,486	\$ -	\$ -	\$ 4,621,486
Building and Improvement	5 - 40	2,943,692	2,060	-	2,945,752
Equipment and Vehicles	3 - 10	6,845,826	178,766	(64,740)	6,959,852
		14,411,004	180,826	(64,740)	14,527,090
Accumulated Depreciation		(5,395,772)	(776,838)	60,590	(6,112,020)
		<u>\$ 9,015,232</u>	<u>\$ (596,012)</u>	<u>\$ (4,150)</u>	<u>\$ 8,415,070</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$776,838 and \$734,834 respectively.

Note 7. Employee Benefits

Employees may accumulate Paid Time Off ("PTO") up to a maximum of 261 hours for carry forward purposes. Upon termination, accumulated PTO is paid. Accrued compensated absences were \$301,336 and \$208,292 at December 31, 2020 and 2019, respectively, and are included in Accrued Payroll and Related Benefits on the Consolidated Balance Sheets.

CSA maintains a 401(k) retirement savings plan for all eligible employees. Employees are eligible to participate in the plan upon attaining the age of 21 years and completing 6 months of active service. Employees may enter the plan in any month after these two requirements have been met. Employees may invest up to the maximum amounts allowed by law. CSA matches contributions of 100% up to 3% of pay and 50% on the next 2% of pay. Vesting begins immediately for matching contributions. Contribution expense, including administration expense for the plan, was \$147,931 and \$159,993 for the years ended December 31, 2020 and 2019, respectively. CSA's 401k retirement plan is administered by a financial institution.

Note 8. Deferred Revenue

Deferred revenue is comprised primarily of annual assessments paid in advance. Assessments for the years 2021 and 2020 were billed in December of the preceding year, which prompted some property owners to pay them early. This early payment resulted in revenue that was deferred until the following year, which is the year to which the assessment applies (and the performance obligation is completed).

Community Services Associates, Inc.**Notes to Consolidated Financial Statements****December 31, 2020 and 2019**

Note 8. Deferred Revenue, continued

Deferred revenue consists of the following as of December 31:

	2020	2019
Property Assessments Received in Advance for the Subsequent Year	\$ 2,495,355	\$ 138,687
Short-Term Rental Vouchers	47,010	23,520
Cell Tower Revenue	28,252	27,165
	<u>\$ 2,570,617</u>	<u>\$ 189,372</u>

Note 9. Income Taxes

The majority of CSA's activities are recognized as exempt activities for income tax purposes; however, certain activities may be treated as unrelated business activities that are subject to taxation. CSA did not have any unrelated business taxable income for the years ended December 31, 2020 and 2019.

Note 10. Lines of Credit

CSA entered into a line of credit agreement in June 2011 with Morgan Stanley which holds assets as a custodian for CSA. The available borrowing amount is based on a formula which includes a release percentage based on fair market value, type, rating, and maturity of each security, and is secured by assets held at the financial institution. The line bears interest at the Open Fed Funds Rate plus 100 basis points. The Open Fed Funds Rate was 0.9% and 1.4% at December 31, 2020 and 2019, respectively. The available line of credit as of December 31, 2020 and 2019 was approximately \$10.19 and \$8.05 million, respectively. There was no outstanding balance on this line of credit as of December 31, 2020 and 2019.

CSA maintains another line of credit with Truist that has a maximum borrowing limit of \$5,000,000. These funds can only be used for recovery from an unplanned catastrophic event. This line bears interest at the bank prime rate less 0.50%. The bank's prime rates were 3.25% and 4.75% as of December 31, 2020 and 2019, respectively. The current line of credit expires in July of 2021 and is secured by all income and assessments of CSA. There were no borrowings on this line of credit during 2020 or 2019 and no balance outstanding as of December 31, 2020 or 2019.

Community Services Associates, Inc.**Notes to Consolidated Financial Statements****December 31, 2020 and 2019**

Note 11. Commitments and Contingencies

In 2018, CSA entered into a lease for meeting space for certain community activities which extends through 2022. For this lease, a right-of-use asset and operating lease liability was recognized using the risk free discount rate of 2.52%. Operating lease expense was \$109,419 and \$107,173 for the years ended December 31, 2020 and 2019, respectively.

Future payments under CSA's operating lease as of December 31, 2020 are as follows:

2021	\$ 83,556
2022	<u>86,088</u>
Total minimum lease payments	169,644
Less amounts representing interest	(15,207)
Less operating lease liability - current	<u>(75,858)</u>
Total operating lease liability - long term	<u>\$ 78,579</u>

In December 2020, the Association signed a construction contract for the North Sea Pines drive reconstruction project for about \$2.5M which began work in January 2021.

The Association is involved in claims, lawsuits, and proceedings and is the defendant in lawsuits that arise out of, and are incidental to, the conduct of business. It is the Association's policy to accrue amounts related to legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. The Association maintains general liability insurance to cover potential damages. Management has not recorded any liability for legal claims as of December 31, 2020 and 2019.

Community Services Associates, Inc.**Notes to Consolidated Financial Statements****December 31, 2020 and 2019**

Note 12. Transactions with Related Parties

Following is a list of related parties and their relationship to CSA:

Entity	Relationship
Association of Sea Pines Plantation Property Owners ("ASPPPO")	A voluntary association acting in the interest of residential property owners.
Sea Pines Forest Preserve Foundation, Inc. ("SPFPF")	Trustees of SPFPF are the officers of CSA plus one additional trustee selected by the Board of CSA.
Six Oaks Cemetery, Inc. ("SOC")	Trustees of SOC are the officers of CSA plus one additional trustee selected by the Board of CSA. SOC is also the sole trustee of the Care and Maintenance Trust Fund of Six Oaks Cemetery.
Sea Pines Architectural Review Corporation Inc. ("SPARC")	Directors of SPARC are the Board Chair of CSA, the President of ASPPPO, two representatives of Sea Pines Resort, the Chairman of the Architectural Review Board, and the President of CSA.
Sea Pines Commercial Architectural Review Corporation ("SPCARC")	Directors of SPCARC are the officers of CSA, the President of ASPPPO, the President of CSA plus an additional member selected by the Board of CSA.

During the years ended December 31, 2020 and 2019, CSA incurred reimbursable expenses on behalf of ASPPPO, SPFPF, SOC, SPARC and SPCARC. In addition, most of the related entities pay a monthly administrative service fee to CSA.

Community Services Associates, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 12. Transactions with Related Parties, continued

Rollforwards of amounts due from the related parties described above (including costs incurred and payments received) during the years ended December 31, 2020 and 2019 as follows:

	2019	Costs Incurred	Less payments Received	2020
ASPPPO	\$ 52,838	\$ 175,892	\$ (133,312)	\$ 95,418
SPFPF	11,592	191,817	(194,023)	9,386
SOC	46,940	441,127	(429,827)	58,240
SPARC	41,222	595,455	(441,127)	195,550
SPCARC	4,550	3,275	-	7,825
Total Due from Related Parties	\$ 157,142	\$ 1,407,566	\$ (1,198,289)	\$ 366,419

Note 13. Governmental Grant

The Association applied for and received a loan from a financial institution under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES ACT") in the amount of \$1,110,500. The loan was subject to a note dated April 21, 2020. The Association applied for and has been notified that the full amount of the loan has been forgiven because the funds were used for eligible expenditures for payroll and other expenses described in the CARES Act. Loan forgiveness is reflected in Other Income (Expense) section in the accompanying *Consolidated Statements of Revenues and Expenses*.

Note 14. Uncertainties

The Novel Coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Association's revenues, costs or demand for services. The extent of the adverse impact of the COVID-19 outbreak on the Association's financial condition and results of operations cannot be predicted.

Note 15. Subsequent Events

In January of 2021, residential property owners approved, by a certified vote of more than 87% of those submitting a ballot, to amend applicable Covenants to provide for an additional assessment revenues to be placed in an Infrastructure Improvement Fund for use of specified projects. Beginning in 2022, such additional funding is expected to raise approximately \$3.5 million annually.

On March 15, 2021, a residential property owner filed an amended complaint in the United States District Court of South Carolina. The amended complaint alleges, in part, that the Association did not have the right to call for a referendum to amend the Sea Pines Covenants and seeks, among other things, to invalidate the referendum and results thereof. On March 17, 2021, the Association filed a Motion for Summary Judgement to dismiss the amended complaint and to confirm the results of the referendum. Ultimate resolution of this litigation cannot be predicted at this time.

Supplementary Information

Community Services Associates, Inc.

Schedule of Future Major Repairs and Replacements (Unaudited)

December 31, 2020

Management of Community Services Associates, Inc. obtained a reserve study from a capital reserve consultant in June 2020 to estimate the remaining useful lives and the current replacement costs of the components of common property that have limited and predictable useful lives. The study included updating a complete inventory of components, the visual inspection of the various components to determine their condition, and deriving quantities from field measurements and/or quantity takeoffs from to-scale engineering drawings during a site visit by the capital reserve consultant. Life expectancy due to normal wear and tear, as well as estimated replacement costs under normal conditions, were based on consultations with staff, consideration of recent expenditures and observations made by the reserve consultant. Estimated replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require major repairs or replacement. The scope of the study did not include storm water infrastructure, such as underground pipes and flow-control mechanisms.

The following information is based on the study and presents significant information about the components of common property.

Component	Estimated remaining useful life (years)	Estimated current replacement costs
Buildings and structures	1 to 35	\$ 1,397,360
Streets	1 to 17	17,644,020
Leisure trails and bridges	1 to 20	4,003,025
Landscaping and irrigation	1 to 7	265,000
Maintenance department	1 to 20	3,927,350
Beach access	1 to 16	1,317,400
Security department	1 to 30	1,680,405
Site and grounds	1 to 40	990,850
Total infrastructure components		<u>\$ 31,225,410</u>

Community Services Associates, Inc.***Schedules of Financial Information on Six Oaks Cemetery, Inc. (Unaudited)******As of and for the years ended December 31, 2020 and 2019***

The following information summarizes financial information for Six Oaks Cemetery, Inc. as of and for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Total Assets	<u>\$ 537,401</u>	<u>\$ 360,428</u>
Liabilities	\$ 113,686	\$ 105,904
Net Assets	<u>423,715</u>	<u>254,524</u>
Total Liabilities and Net Assets	<u>\$ 537,401</u>	<u>\$ 360,428</u>
Support and Revenue	\$ 644,627	\$ 434,869
Expenses	<u>475,436</u>	<u>350,409</u>
Change in Net Assets	<u>\$ 169,191</u>	<u>\$ 84,460</u>

Community Services Associates, Inc.***Schedules of Financial Information on Sea Pines Forest Preserve Foundation, Inc. (Unaudited)******As of and for the years ended December 31, 2020 and 2019***

The following information summarizes financial information for Sea Pines Forest Preserve Foundation, Inc. as of and for the years ended December 31:

	2020	2019
Total Assets	<u>\$ 592,327</u>	<u>\$ 618,557</u>
Liabilities	\$ 9,386	\$ 11,592
Net Assets	<u>582,941</u>	<u>606,965</u>
Total Liabilities and Net Assets	<u>\$ 592,327</u>	<u>\$ 618,557</u>
Support and Revenue	\$ 203,460	\$ 211,416
Expenses	<u>227,484</u>	<u>189,056</u>
Change in Net Assets	<u>\$ (24,024)</u>	<u>\$ 22,360</u>

