THE RETREAT PROPERTY OWNERS' ASSOCIATION, INC.
Financial Statements
For the Years Ended December 31, 2023
and December 25, 2022
with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Members of
The Retreat Property Owners' Association, Inc.

Opinion

We have audited the accompanying financial statements of The Retreat Property Owners' Association, Inc. ("RPOA") which comprise the balance sheet as of December 31, 2023, and the related statements of operations and changes in members' equity, and cash flows for the year 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 RPOA as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 RPOA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 GAAP, 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 RPOA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 GAAS 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 GAAS, 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 RPOA'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 RPOA'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.

Other Matter

The financial statements of RPOA for the year ended December 25, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on September 7, 2023.

Hext & Associates, P.C.

Dallas, Texas
June 17, 2024

BALANCE SHEETS

	December 31, 2023	December 25, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,665,538	$ 3,998,012
Accounts receivable, net	556,413	283,561
Prepaid expenses and other assets	4,778	7,050
Other receivable, related parties	449,840	-
Total Current Assets	2,676,569	4,288,623
Finance lease right-of-use assets	66,608	89,839
Property and equipment, net	169,716	76,994
Total Assets	$ 2,912,893	$ 4,455,456
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable	$ 79,869	$ 162,541
Accounts payable, related parties	-	2,052,832
Current portion of long-term debts	10,563	-
Current portion of liability from finance leases	20,776	22,475
Total current liabilities	111,208	2,237,848
Notes payable, Long-Term	44,656	-
Long-term portion of finance leases	38,073	58,849
Members' equity	2,718,956	2,158,759
Total Liabilities and Members' equity	$ 2,912,893	$ 4,455,456

See accompanying notes to financial statements.

THE RETREAT PROPERTY OWNERS' ASSOCIATION, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Year ended December 31, 2023	Year ended December 25, 2022
Revenues:		
Maintenance fees	$ 3,212,372	$ 3,024,836
Other income	71,685	78,391
Total revenues	3,284,057	$ 3,103,227
Expenses:		
General maintenance	1,654,329	1,307,450
Golf course maintenance	965,584	581,730
Bad debt	58,370	37,755
Depreciation and amortization	45,577	65,950
Total expenses	2,723,860	1,992,885
Income from operations	560,197	1,110,342
Net income	560,197	1,110,342
Members' equity, beginning	2,158,759	1,048,417
Members' equity, ending	$ 2,718,956	$ 2,158,759

See accompanying notes to financial statements.

THE RETREAT PROPERTY OWNERS' ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2023	Year ended December 25, 2022
Operating Activities:		
Net income	$ 560,197	$ 1,110,342
Adjustments to reconcile net income:		
to net cash provided by operating activities:		
Depreciation expense	22,347	31,654
Amortization expense	23,231	34,296
Bad debt expense	58,370	37,755
Loss on lease termination	-	65,832
Non-cash interest expense	-	4,223
Changes in operating assets and liabilities:		
Accounts receivable	(331,223)	(232,348)
Prepaid expenses	2,272	148
Accounts payable	(82,672)	151,040
Receivable and payable (related parties)	(2,502,672)	(334,972)
Net cash provided by (used for) operating activities	(2,250,150)	867,970
Investing Activities:		
Purchase of property and equipment	(57,291)	-
Net cash used in investing activities	(57,291)	-
Financing Activities:		
Payments on finance leases	(22,474)	(71,290)
Payments on notes payable	(2,559)	-
Net cash used in financing activities	(25,033)	(71,290)
Net increase (decrease) in cash and cash equivalents	(2,332,474)	796,680
Cash and cash equivalents at the beginning of year	3,998,012	3,201,332
Cash and cash equivalents at the end of year	$ 1,665,538	$ 3,998,012
Supplemental Disclosure of Cash Flow Information		
Right-of-use assets assumed through lease liability	$ -	$ 189,967
Lease assumed through lease liability	$ -	$ 19,110

See accompanying notes to financial statements.

NOTE 1. Nature of Operations

The Retreat Property Owners Association, Inc. (the "Company") was incorporated as a not-for-profit corporation on August 12, 2002, in the state of Texas. The Company is responsible for the management and security of the community as well as maintenance of the golf course and common property.

NOTE 2. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Financial Statement Presentation

The Company's financial statements are reported using thirteen-week quarters made up of two four-week periods followed by a five-week period. The fiscal year ended on December 31, 2023 and December 25, 2022, respectively.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual events and results could differ from such assumptions and estimates.

Income Taxes

The Company elected to be taxed as a homeowners' association. Under that election, The Company is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30 percent. Exempt function income, which consists primarily of assessments, is not taxable.

In addition, the Company applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, Accounting for Uncertainty in Income Taxes, and has evaluated its uncertain tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination or that require disclosure. Accordingly, no provision for uncertain tax positions in income taxes has been made in the accompanying financial statements. The accompanying financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 2. Summary of Significant Accounting Policies - (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the management of the Company considers cash accounts with an original maturity of three months or less to be cash equivalents. The Company maintains cash and cash equivalents at several financial institutions, which at times may exceed federally insured limits. The Company has not experienced any losses on such accounts.

Accounts Receivable

Accounts receivable consist of delinquent member assessments and billings for other services the Company provides, and they are stated at amounts management expects to collect from outstanding balances. All receivables are owed by property owners within the Company. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Account balances that have been delinquent for over two years have been included in the allowance for doubtful accounts. As of December 31, 2023 and December 25, 2022, the allowance for doubtful accounts was $126,137 and $107,852, respectively.

Revenue Recognition

The Company's members are subject to monthly and special assessments to provide funds for the Company's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable, at the balance sheet date, represent fees due from lot owners. Members are billed semi-annually for maintenance fees which are recognized over the month in which they relate as the Company provides maintenance on properties and quality of life improvements.

Contract assets represent the Company's right to consideration based on satisfied performance obligations from contracts with customers.

Property and Equipment

The Company capitalizes property and equipment to which it has title or other evidence of ownership. Maintenance, repairs, and minor improvements that do not extend the useful life of an asset are expensed as incurred. Property and equipment acquired by the Company is recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The Company capitalizes assets with a value of more than $2,500 and a useful life greater than two years.

NOTE 2. Summary of Significant Accounting Policies - (continued)

Adoption of New Accounting Standards

In February 2016, the FASB issued guidance, ASC 842, Leases, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company elected the package of practical expedients permitted under the transition guidance, allowing the Company to carry forward conclusions related to: (a) whether expired or existing contracts contain leases; (b) lease classification; and (c) initial direct costs for existing leases. The Company has elected not to record operating lease right-of-use assets or lease liabilities associated with leases with durations of 12 months or less. The Company elected the practical expedient allowing aggregation of non-lease components with related lease components when evaluating the accounting treatment for all classes of underlying assets.

The Company adopted this standard effective January 1, 2022, using the modified retrospective approach. In transitioning to ASC 842, the Company elected to use the practical expedient package available at the time of implementation and did not elect to use hindsight. These elections have been applied consistently to all leases existing at, or entered into after, December 27, 2021 (the beginning of the period of adoption). As a result of the adoption of the new lease accounting guidance, the Company recognized on December 27, 2021, a right-of-use asset of $189,967 and a lease liability of $19,110. The standard did not materially impact the Company's net income and had no impact on cash flows. Lease disclosures for the year ended December 26, 2021 are made under prior lease guidance in FASB ASC 840.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

NOTE 3. Property and Equipment

Property and equipment by major classification and the related accumulated depreciation consists of the following:

	December 31, 2023	December 25, 2022
Vehicles and equipment	$ 985,361	$ 890,253
Furniture and fixtures	127,264	107,303
Buildings	23,936	23,936
Land Improvements	872	872
Total depreciable assets	1,137,433	1,022,364
Less: accumulated depreciation	(967,717)	(945,370)
Property and equipment, net	$ 169,716	$ 76,994

NOTE 4. Notes Payable

Notes payable as of December 31, 2023 consists of the following:

Note payable to Kubota Credit Corporation, U.S.A for equipment maturing on September 30, 2028, monthly principal and interest payments of $1,090.35 began on October 31, 2023. Interest rate is 5.00%, collateralized by the assets purchased.	$ 55,219
Total	55,219
Less: Current Portion	(10,563)
Total	$ 44,656

For the year ended December 31, 2023, interest expense is $1,287 from notes payable, which is included in general and administrative expenses within the accompanying statements of operations and changes in members' equity.

Principal payments on notes payable and other long-term debt over the next five years are as follows:

2024	$ 10,563
2025	11,104
2026	11,672
2027	12,269
2028	9,611
Thereafter	-
Total	$ 55,219

NOTE 5. Leases

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets and finance lease right-of-use assets (collectively "ROU assets") represent the Company's right to use an underlying asset for the lease term. Operating lease liabilities and finance lease liabilities (collectively, "lease liabilities") represent the Company's obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

The Company has leases for certain equipment. The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes the risk-free rate. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants.

Total finance lease costs for amortization of ROU assets are $23,231 and $34,296 for the year ended December 31, 2023 and December 25, 2022, respectively. The interest expense on lease liabilities are $2,852 and $4,223 for the year ended December 31, 2023 and December 25, 2022, respectively. There were no short-term lease costs or operating leases for both years.

Maturities of finance lease liabilities as of December 31, 2023 are as follows:

2024	$	22,763
2025		22,763
2026		16,713
Total lease payments		62,239
Less present value discount		(3,390)
Lease liabilities	$	58,849

Weighted average lease term and discount rate are as follows:

	December 31, 2023	December 25, 2022
Weighted average remaining lease term (years)		
Finance leases	2.80	3.69
Weighted average discount rate		
Discount Rate	4.03%	4.09%

NOTE 5. Leases - (continued)

Cash paid during December 31, 2023 for finance leases are as follows:

	Year ended December 31, 2023	Year ended December 25, 2022
Operating cash flows	$ -	$ 4,357
Financing cash flows	$ 25,317	$ 46,639

ROU assets obtained in exchange for finance lease liabilities for the year ended December 31, 2023 and December 25, 2022 are $0 and $189,967 respectively.

NOTE 6. Related Party Transactions

The Company is affiliated with a group of companies under the control of the developer of the community. In the normal course of business, the Company utilizes a centralized disbursement system whereby available cash balances are transferred to centralized accounts from which disbursements are paid on behalf of The Company. Related party transactions with these affiliated companies are as follows:

	December 31, 2023	December 25, 2022
Accounts receivable/(payable), related parties	$ 449,840	$ (2,052,832)
Management fee expense	$ 103,059	$ 93,650

NOTE 7. Future Major Repairs and Replacements

The Company's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. When funds are required for major repairs and replacements, the Company plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available.

NOTE 8. Subsequent Events

In preparing the financial statements, the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through June 17, 2024, the date the financial statements were available for issuance.