

**WAYNOKA PROPERTY OWNERS'
ASSOCIATION, INC.**

Financial Statements

December 31, 2022 and 2021

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To Board of Trustees
Waynoka Property Owners' Association
Lake Waynoka, Ohio

Opinion

We have audited the accompanying financial statements of Waynoka Property Owners' Association, Inc. ("the Association") which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Basis for Opinion

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

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.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 17 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. We have applied certain limited procedures to the required supplementary information



in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Operating Expenses on page 18 are presented for purposes of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the accompanying Schedules of Operating Expenses are fairly stated in all material respects in relation to the financial statements as a whole.

ATLAS CPAs & Advisors PLLC

Cincinnati, OH
June 22, 2023



WAYNOKA PROPERTY OWNERS ASSOCIATION, INC.
BALANCE SHEETS
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Regular operations	\$ 584,177	\$ 814,556
Designated for future major repairs/replacement fund	884,623	676,133
Total cash and cash equivalents	1,468,800	1,490,689
Assessments and dues receivable (net of an allowance for doubtful accounts of \$43,415 for 2022 and \$119,675 for 2021)	106,674	4,977
Other receivables	4,832	6,984
Prepaid insurance	-	14,405
Inventories	4,165	4,165
TOTAL CURRENT ASSETS	1,584,471	1,521,220
NON-CURRENT ASSETS		
Investments, at fair value	515,712	360,414
Property and equipment, net	2,620,194	2,478,277
TOTAL ASSETS	\$ 4,720,377	\$ 4,359,911
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 11,788	\$ 15,874
Accrued expenses	39,376	28,553
Current portion of long-term debt	44,350	-
TOTAL CURRENT LIABILITIES	95,514	44,427
LONG-TERM LIABILITIES		
Long-term debt, less current portion	109,580	-
TOTAL LONG-TERM LIABILITIES	109,580	-
TOTAL LIABILITIES	205,094	44,427
MEMBERS' EQUITY		
Undesignated	3,098,950	3,278,937
Designated	1,416,333	1,036,547
TOTAL MEMBERS' EQUITY	4,515,283	4,315,484
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 4,720,377	\$ 4,359,911

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

WAYNOKA PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF INCOME
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
		% of Revenues		% of Revenues
REVENUES				
Membership dues	\$ 1,096,540	32.9%	\$ 965,437	31.9%
Capital assessments	761,115	22.8%	697,328	23.0%
Contract services - WRWSD	518,487	15.5%	418,922	13.8%
Camping fees	319,729	9.6%	312,977	10.3%
Miscellaneous fees and other	228,923	6.9%	220,968	7.3%
Lounge revenues	172,281	5.2%	166,230	5.5%
Health/recreation income	133,434	4.0%	101,655	3.4%
Mowing fees	82,831	2.5%	87,723	2.9%
Advertising revenues	18,877	0.2%	22,979	0.9%
Gain from sale of lots	5,201	0.2%	31,500	1.0%
TOTAL GROSS REVENUE	<u>3,337,418</u>	<u>100.0%</u>	<u>3,025,719</u>	<u>100.0%</u>
Direct costs to produce revenues	<u>154,815</u>	<u>4.6%</u>	<u>142,944</u>	<u>4.7%</u>
NET REVENUE	3,182,603	95.4%	2,882,775	95.3%
OPERATING EXPENSES	<u>2,983,712</u>	<u>89.4%</u>	<u>2,699,898</u>	<u>89.3%</u>
OPERATING INCOME	<u>198,891</u>	<u>6.0%</u>	<u>182,877</u>	<u>6.0%</u>
OTHER INCOME (EXPENSE)				
Interest expense	(1,279)	0.0%	-	0.0%
PPP loan forgiveness	-	0.0%	240,400	7.9%
Interest income	<u>2,187</u>	<u>0.1%</u>	<u>966</u>	<u>0.1%</u>
TOTAL OTHER INCOME, NET	<u>908</u>	<u>0.1%</u>	<u>241,366</u>	<u>8.0%</u>
NET INCOME	<u>\$ 199,799</u>	<u>6.1%</u>	<u>\$ 424,243</u>	<u>14.0%</u>

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

WAYNOKA PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the Years Ended December 31, 2022 and 2021

	UNDESIGNATED MEMBERS' EQUITY	RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS	TOTAL MEMBERS' EQUITY
BALANCE, DECEMBER 31, 2020	\$ 3,001,527	\$ 889,714	\$ 3,891,241
Net income	424,243	-	424,243
Transfers - contributions	(746,860)	746,860	-
Transfers - expenditures	600,027	(600,027)	-
BALANCE, DECEMBER 31, 2021	3,278,937	1,036,547	4,315,484
Net income	199,799	-	199,799
Transfers - contributions	(1,171,523)	1,171,523	-
Transfers - expenditures	791,737	(791,737)	-
BALANCE, DECEMBER 31, 2022	\$ 3,098,950	\$ 1,416,333	\$ 4,515,283

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

WAYNOKA PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 199,799	\$ 424,243
Reconciliation of net income to net cash flows from operations		
Depreciation expense	375,463	364,386
Gain on sale of resale lots	(5,201)	(31,500)
Forgiveness of PPP loan	-	(240,400)
(Increase) decrease in operating assets:		
Accounts receivables , net	(99,545)	9,432
Prepaid expenses	14,405	(641)
Increase (decrease) in operating liabilities:		
Accounts payable	(4,086)	(1,939)
Accrued expenses	10,823	(23,044)
	<u>491,658</u>	<u>500,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of resale lots	24,500	31,500
Purchase of resale lots	(19,298)	-
Proceeds from sale of investments	-	431,391
Purchase of investments	(155,299)	(307,578)
Purchase of property and equipment	(337,844)	(296,941)
	<u>(487,941)</u>	<u>(141,628)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(25,606)	-
	<u>(25,606)</u>	<u>-</u>
Net cash used by financing activities		
Net change in cash and cash equivalents	(21,889)	358,909
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,490,689</u>	<u>1,131,780</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,468,800</u>	<u>\$ 1,490,689</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 1,279</u>	<u>\$ -</u>
The Company had noncash financing and investing transactions:		
Purchase of property and equipment with proceeds from long-term debt	<u>\$ 179,536</u>	<u>\$ -</u>

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

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF OPERATIONS

Waynoka Property Owners' Association, Inc. ("The Association") was organized in 1970 as a corporation under the laws of the State of Ohio. The Association is a gated lake community located in Brown County, covering approximately 2,400 acres and 50 miles of roadway. The Association has approximately 1,700 members covering about 4,000 lots and around 975 residential homes. The purpose of the Association is to provide for the upkeep and maintenance of the lake, common grounds, roadways and the recreational facilities of the lake area.

The Association is governed by a Board of Trustees pursuant to its bylaws (governing document). Membership generally consists of Lake Waynoka lot owners, but can include vendors. Membership is non-transferable and non-assignable. The bylaws contain detail provisions concerning liens, conditions, restrictions easements and operation of the common areas of the Lake Waynoka lake community. Among the detailed provisions in the bylaws are the following:

- Each member gets the right to cast one vote. Proposals to change the bylaws can be entertained by either a 2/3rds vote of the entire Board or a petition signed by at least 300 members. Then, actual changes to the bylaws become effective if 60% of the member votes are in the affirmative.
- Suspension of membership privileges can occur with 2/3rds vote of the entire Board.
- Initiation fees and regular and special assessments are payable by the members.
- Any lien for delinquent assessments shall be subordinated to any first mortgage on the subject lot.

As a result of the spread of the COVID-19 Coronavirus and the possibility of future stay-at-home orders issued by the state of Ohio in which the Association operates, the Association may experience unexpected performance volatility. The duration of the volatility may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the balance sheet classification and the statement of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage up to \$250,000 per depositor at each insured financial institution. The Association maintains its cash in several regional financial institutions that occasionally exceed the FDIC limit. The amounts exceeding FDIC limits were \$982,957 and \$1,004,609 as of December 31, 2022 and 2021, respectively. The Association has not experienced any losses on such accounts and considers this risk to be mitigated by the high credit quality of the financial institutions holding cash deposits.

Inventories

Inventories consist of bar lounge beer and liquor and are valued at lower of cost or net realizable value. Net realizable value is determined as estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. There were no unusual losses from adjustments, if any, to report inventories at the lower of cost or net realizable value. The method used by the Association to cost out its inventories is first-in first-out (FIFO).

Assessments and Dues Receivable

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from property owners. The Association reserves the right to retain legal counsel and place liens on properties of members whose assessments become delinquent. The costs of attorney's fees and interest for late payment are added to assessment amounts due. Any excess assessments at year end are retained by the Association for use in the succeeding year. In the opinion of Management, the Association is not subject to adverse credit risk on its assessments and dues receivable.

The Association treats uncollectible assessments as variable compensation. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include considerations of past experience and susceptibility to factors outside the Association's control. Allowance for uncollectible accounts was \$43,415 and \$119,675 for the years ended December 31, 2022 and 2021, respectively. The balance of assessments receivable net (after allowance for uncollectible accounts) as December 31, 2022 and 2021 are \$106,674 and \$4,977, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using straight-line or accelerated methods over the assets' estimated useful lives of the related asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized for the period. The cost of maintenance and repairs is charged to expense as incurred; significant improvements and betterments that extend an asset's useful life are capitalized. Land, by its nature, is neither depreciated or amortized.

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation expense for the years ended December 31, 2022 and 2021 was \$375,463 and \$364,386, respectively.

The Association's policy regarding common property is to recognize such property as an asset when (1) the Association has legal title and the asset can be disposed of for cash proceeds retained by the Association or (2) when such property is used to generate significant cash flows for the Association from the membership and/or nonmembers. The Association generally capitalizes applicable asset purchases that exceed \$2,500.

In accordance with ASC 360, *Accounting for the Impairment and Disposal of Long-lived Assets*, the Association evaluates the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or significant change in operating conditions. An impairment assessment may be performed to assess future recoverability of asset net book values. No impairment losses were necessary in the accompanying financial statements.

Investments

Investments are reported at their fair values on the balance sheets. Net investment return is reported in the statements of income and consists of interest income, less external and direct internal investment expenses.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Association groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

All investments are considered Level 1 as of December 31, 2022 and 2021.

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association may be taxed as a homeowners' association or as a regular taxable corporation. For the years ended December 31, 2022 and 2021, the Association elected to be taxed as a regular corporation. However, the Association has significant accumulated net operating losses ("NOL") that effectively negate any taxable income.

Income taxes are accounted for under the asset and liability method in which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis amounts. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized in income in the period in which the change occurs. In the event of recognition of a deferred tax asset, an assignment is made as to the likelihood of ultimate collectability which could result in a reserve against such asset.

Based on evaluation of the Association's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2022 and 2021. The Association files U.S. federal income tax returns.

Resale Lots

Resale lots are valued at the lower of cost or net realizable value. Net realizable value is determined as estimated selling prices in the ordinary course of business, less reasonable predictable costs of disposition.

Use of Estimates

The preparation of financial statements requires the Association to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions are reasonable in the circumstances. Accordingly, actual results could differ from those estimates.

Recently Issued Significant Accounting Standards

Lease Accounting Standard

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of assets, liabilities and equity. The ASU is effective for the years beginning after December 15, 2022. The Association has determined that ASU 2016-02 will have limited impact on its financial statements as it currently only holds short term leases, therefore any

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

adjustments to the financial statements would not be material.

Revenue Recognition

The Association earns revenues from its members via multiple methods. Dues and assessments and health/recreational center fees are billed annually and earned ratably throughout the year. The Association has an approved dues/fees list for its various types of memberships. Liens on member properties can be placed to discourage non-payment and provisions for bad debts are made when appropriate. Collections agencies are used to assist with collecting past dues balances.

Various other fees such as security access permits and mowing service fees are earned when purchased or as the service is provided. Lounge revenues are recognized when the related beverages are sold. Gains/losses from lots sales are recognized upon the closing of a lot sale transaction. The Association has a contract with the local water and sewer district (see Note 7) from which it also earns revenues.

The Association has no long-term revenue contracts and therefore, no significant contract balances.

Advertising Costs

The Association follows the policy of expensing its advertising costs as they are incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$775 and \$9,245, respectively.

NOTE 3 - INVESTMENTS

Investments are comprised of bank Certificates of Deposit ("CD's") and are valued at fair market value which approximates cost. Balance of investments as of December 31, 2022 and 2021 are \$515,712 and \$360,414, respectively. Interest receivable is separately reported. The CD's as of December 31, 2022 have maturity dates that range from June 2023 to June 2024 and interest rates ranging from .20% to 2.5%.

NOTE 4 - PPP LOAN

The Association was awarded a Paycheck Protection Program ("PPP") loan as a result of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") on June 23, 2020 in the amount of \$240,400. The Company elected to use the guidance in ASC 740, *Debt*, as allowable by the AICPA. The Company expected to be eligible for loan forgiveness based on qualifying expenses. The Company utilized the funds for payroll expenses during 2020. The \$240,400 note was due to be paid in monthly payments of principal and interest accrued at 1%. The note was set to mature in June 2025. The entire amount of \$240,400 was recorded as a long-term liability as of December 31, 2020, as payments had been delayed and the Company expected to receive full forgiveness. The entire amount of \$240,400 was forgiven in 2021 and recorded as other income for the year ended December 31, 2021.

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5 - MEMBERS' EQUITY – RESERVE FOR FUTURE REPLACEMENTS AND MAJOR REPAIRS

U.S. GAAP requires the Association to include a schedule of anticipated future major repairs and replacements, including the related estimated timing and projected future costs. Ohio law requires the Association to fund and budget for a reserve for such future major repairs and replacements without the necessity of special assessments, unless such assessments are approved by a majority of the membership.

The Association has set aside reserves to fund its anticipated future major repairs and replacements. The Board conducted a reserve study in 2017 (periodically updated) to estimate the remaining useful lives and the replacement costs of the components of common property.

Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to board approval, to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

NOTE 6 - RENTAL INCOME AGREEMENT

The Association has an agreement that produces rental income. This relates to the marina buildings and surroundings commencing July 1, 2016 and expiring February 1, 2025. The original lease provided for base rentals that gradually increased from \$300 per month to \$600 per month over the course of several years. Effective November 1, 2019, the parties agreed to a fixed rental of \$300 monthly. Total marina lease income was \$3,900 and \$3,000 for 2022 and 2021, respectively.

NOTE 7 - CONTRACTED SERVICES

Waynoka Regional Water and Sewer District (“WRWSD”) is a separate Ohio entity that provides all of the water and sewer services for all residents of the Association. Its books and accounts are separate and are not included in this report. The Association provides certain administrative, maintenance and equipment services to WRWSD pursuant to a contractual services agreement. The related revenues are earned by the Association as services are provided and amounted to \$518,487 and \$418,922 during the years ending December 31, 2022 and 2021, respectively.

Separately, the Association pays approximately \$118 monthly to WRWSD for use of a copier owned by WRWSD pursuant to an informal short term lease agreement.

NOTE 8 – SHORT TERM LEASES

The Association leases land for outdoor advertising under annual renewable agreement. The Association also leases digital mailing equipment under an agreement expiring in January 2024 and requiring a monthly rental of \$366. Total lease expense was \$8,399 and \$6,400 during the years ended December 31, 2022 and 2021, respectively.

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 – SHORT TERM LEASES (Continued)

The minimum future lease obligations under all non-cancellable leases with a term in excess of one year as of December 31, 2022 are as follows:

2023	\$ 6,196
2024	<u>366</u>
	<u>\$ 6,562</u>

NOTE 9 – LONG-TERM DEBT

Long-term debt consists of a term note use to purchase property and equipment. Principal and interest payments at 1.30% per annum are payable in 48 monthly of \$3,841 installments until May 2026. The outstanding balance of the note payable as of December 31, 2022 and 2021 is \$153,930 and \$0, respectively.

Long-term debt maturities for the next five fiscal year are as follows:

<u>Years Ending</u> <u>December 31,</u>		
2023	\$	44,350
2024		44,931
2025		45,518
2026		<u>19,131</u>
	<u>\$</u>	<u>153,930</u>

NOTE 10 - RETIREMENT PLAN

The Association has a 401(k) retirement plan that covers substantially all full-time employees with one year of service and who are at least 18 years of age. Plan participants may make voluntary tax-deferred or after-tax Roth contributions and are also eligible for discretionary employer profit-sharing contributions. The Association's Board approved a match contribution equal to 50% of deferrals up to 5% for both the years ended December 31, 2022 and 2021. Expenses related to the Plan were \$13,920 and \$17,070 for the years ended December 31, 2022 and 2021, respectively.

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 11 - INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of deferred Federal taxes for the Association relate primarily to the use of accelerated depreciation for tax purposes but straight-line depreciation for book purposes. Because of the significant accumulated net operating loss carryforwards, no provision for income taxes is necessary for the accompanying financial statements.

Pertinent disclosures under U.S. GAAP are as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Provision for Federal income taxes:		
Current income tax expense (benefit)	\$ -	\$ -
Deferred income tax (benefit)	26,342	6,856
Increase (decrease) in deferred tax valuation reserve	(26,342)	(6,856)
Total Federal income tax expense (benefit)	\$ -	\$ -
Deferred Federal income tax assets (liabilities):		
Estimated value of unexpired accumulated NOL's	\$ 968,179	\$ 665,214
Reserves for valuation allowance	(968,179)	(665,214)
Net Federal deferred tax asset	\$ -	\$ -

The Association has unused net operating loss carryforwards of \$4,610,375 and \$4,434,760 as of December 31, 2022 and 2021, respectively. These are available to offset future taxable income and expire at various dates from 2024 through 2034. Net operating losses arising in years beginning after December 31, 2017, are modified such that a corporation's NOL carryover can offset only 80% of taxable income, however, these NOLs can now be carried forward indefinitely instead of the limited 20 years. The CARES Act retroactively modified and expanded those rules. Under the CARES Act, NOLs arising in years beginning 2018 through 2020 may be carried back five years and the 80% NOL deduction limit is temporarily lifted for NOL carryforwards to years beginning before January 1, 2021.

No tax benefit has been reported in 2022 and 2021 financial statements for the net operating loss carryforward because the Association believes there is at least a 50% chance that the carryforwards will expire unused. Accordingly, the tax benefit of the loss carryforwards has been fully offset by a valuation allowance. As time passes, management will be able to better assess the amount of the tax benefit it will realize from using carryforwards.

WAYNOKA PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 12 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Useful lives (yrs)</u>
Land, buildings and building improvements	\$ 2,107,902	\$ 2,063,477	15-31
Roadways and land improvements	3,162,620	3,018,437	15-20
Campground	263,481	263,481	10-20
Recreation facility	1,565,005	1,558,078	10-20
Machinery, equipment and vehicles	1,173,810	851,965	5-7
Computers, furniture and fixtures	58,200	58,199	3-7
Total, at cost	<u>8,331,018</u>	<u>7,813,637</u>	
Accumulated depreciation	<u>(5,710,823)</u>	<u>(5,335,360)</u>	
Net property and equipment	<u>\$ 2,620,194</u>	<u>\$ 2,478,277</u>	

NOTE 13 - SUBSEQUENT EVENTS

Management reviews events and transactions occurring subsequent to the date of the financial statements for matters requiring potential recognition or disclosure in the financial statements. The Association has evaluated subsequent events through June 22, 2023, the date the financial statements were available to be issued. Management has determined that no events require disclosure.

SUPPLEMENTAL INFORMATION

WAYNOKA PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULES OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
For the Years Ended December 31, 2022 and 2021

Components of Common Property	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	December 31, 2022 Fund Balance
Lake	1-30	\$ 4,400,773	\$ -
Roads	1-30	7,162,319	-
Improvements	1-30	6,354,897	-
Campground	1-30	1,220,927	-
Unallocated		-	1,416,333
		<u>\$ 19,138,916</u>	<u>\$ 1,416,333</u>

A reserve study was performed in 2017. This study was updated in 2018 by the Lake Waynoka Long Range Planning Committee for lake, roads and improvements. The amount shown for campground is from the 2017 reserve study.

Reserve Study-

Comparison of actual reserves to reserve study estimates:

	Estimated per 2017 Reserve Study	As per Actual
Reserve balance at January 1, 2022	\$ 1,040,804	\$ 1,036,547
Reserve contributions	807,200	1,171,523
Reserve expenditures	(459,802)	(791,737)
Reserve balance at December 31, 2022	<u>\$ 1,388,202</u>	<u>\$ 1,416,333</u>

See independent auditor's report and notes to financial statements.

WAYNOKA PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING EXPENSES		
Salaries and wages	\$ 1,345,526	\$ 1,213,260
Payroll taxes	129,558	130,671
Employee benefits	113,445	116,638
Total compensation and related expenses	1,588,529	1,460,569
Depreciation	375,463	364,386
Utilities	191,147	190,731
Repairs and maintenace	408,648	264,219
Dredging	5,515	-
Capital improvement expenses	101,666	159,721
Insurance	65,898	38,084
Real estate taxes	34,239	33,957
Printing, postage and office supplies	34,736	31,612
Telephone and internet	22,510	23,151
Legal and accounting	23,926	14,797
Computer and IT services	52,247	24,585
Advertising	775	9,245
Meals, travel and entertainment	6,221	6,092
Miscellaneous	72,192	78,749
TOTAL OPERATING EXPENSES	\$ 2,983,712	\$ 2,699,898

See independent auditor's report and notes to financial statements.