

**SOUTH ISLAND PLANTATION ASSOCIATION, INC.
GEORGETOWN COUNTY, SOUTH CAROLINA**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2017

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

GEORGETOWN COUNTY, SOUTH CAROLINA

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Andrew C. Thompson, CPA

Certified Public Accountant and Auditor

REPORT OF INDEPENDENT AUDITORS

***To the Board of Directors and Members
South Island Plantation Association, Inc.
Georgetown County, South Carolina***



We have audited the accompanying financial statements of South Island Plantation Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 financial statements

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Island Plantation Association, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Myrtle Beach, South Carolina
May 16, 2018

Andrew C. Thompson, CPA

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

BALANCE SHEET
December 31, 2017

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2017 Total</u>
ASSETS			
Cash (Notes 2 and 5)	\$ 8,260	\$ 216,993	\$ 225,253
Cash - ARB deposits (Note 2)	5,000	-	5,000
Member assessments receivable, net of allowance (Note 3)	4,063	-	4,063
Prepaid insurance and expenses	5,110	-	5,110
Due to operating fund from reserve fund	13,130	-	13,130
TOTAL ASSETS	\$ 35,563	\$ 216,993	\$ 252,556
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 17,887	\$ -	\$ 17,887
Prepaid member assessments (Note 3)	12,070	-	12,070
ARB deposits	5,000	-	5,000
Due to operating fund from reserve fund	-	13,130	13,130
TOTAL LIABILITIES	34,957	13,130	48,087
FUND BALANCES (Note 5)	606	203,863	204,469
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,563	\$ 216,993	\$ 252,556

SEE REPORT OF INDEPENDENT AUDITORS

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	Operating Fund	Reserve Fund	2017 Total
REVENUES			
Assessments (Note 3):			
Regular	\$ 174,690	\$ 26,250	\$ 200,940
Clubhouse fees	11,895	-	11,895
Fines, late charges, and legal fees	7,645	-	7,645
Interest income	8	298	306
ARB impact fees	1,000	-	1,000
Miscellaneous income	103	-	103
TOTAL REVENUES	195,341	26,548	221,889
EXPENSES			
Pool maintenance			
Pool contract	10,800	-	10,800
Pool supplies, furniture, and equipment, and expenses	10,080	-	10,080
Total pool maintenance expenses	20,880	-	20,880
Clubhouse expenses			
Clubhouse operations and operations	17,734	-	17,734
Total clubhouse expenses	17,734	-	17,734
Landscaping maintenance			
Landscape maintenance contract	58,488	-	58,488
Landscape maintenance/supplies, and expenses	3,868	-	3,868
Bushhogging expenses	11,250	-	11,250
Storm damage repairs	300	-	300
Total landscaping maintenance expenses	73,906	-	73,906
Facility maintenance			
General maintenance and material	2,025	-	2,025
Trash removal	984	-	984
Interior pest control and termite treatment	2,593	-	2,593
Total facility maintenance expenses	5,602	-	5,602
Major repairs and replacements	-	19,028	19,028

(continued)

SEE REPORT OF INDEPENDENT AUDITORS

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2017

(continued)

	Operating Fund	Reserve Fund	2017 Total
EXPENSES (Continued)			
General and administrative			
Office supplies and administrative expenses	\$ 4,854	\$ -	\$ 4,854
Legal and accounting	3,443	-	3,443
Management services	18,000	-	18,000
Insurance	12,052	-	12,052
Income and property taxes	5,089	-	5,089
Website expenses	495	-	495
Bad debt expense (Note 3)	243	-	243
Total general and administrative expenses	44,176	-	44,176
Utilities			
Electricity	19,814	-	19,814
Telephone	2,656	-	2,656
Water and sewer	6,031	-	6,031
Total utilities expenses	28,501	-	28,501
Other expenses			
Annual meeting, social expenses	2,234	-	2,234
Security gates	2,008	-	2,008
Total Other Expenses	4,242	-	4,242
TOTAL EXPENSES	195,041	19,028	214,069
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	300	7,520	7,820
Beginning fund balances	306	196,343	196,649
ENDING FUND BALANCES	\$ 606	\$ 203,863	\$ 204,469

SEE REPORT OF INDEPENDENT AUDITORS

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2017

	Operating Fund	Reserve Fund	2017 Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 300	\$ 7,520	\$ 7,820
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Member assessments receivable	27	-	27
Prepaid insurance	371	-	371
Increase (decrease) in:			
Accounts payable and accrued expenses	11,679	-	11,679
Prepaid member assessments	2,864	-	2,864
ARB deposits	5,000	-	5,000
Interfund (receivable) payable	(13,130)	13,130	-
<hr/>			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,111	20,650	27,761
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NET INCREASE (DECREASE) IN CASH	7,111	20,650	27,761
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CASH, AT BEGINNING OF YEAR	6,149	196,343	202,492
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CASH, AT END OF YEAR	\$ 13,260	\$ 216,993	\$ 230,253
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SUPPLEMENTAL DISCLOSURE:			
Income taxes paid	\$ -	\$ -	\$ -
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Cash Summary			
Operating - undesignated cash	\$ 8,260	\$ -	\$ 8,260
Operating - ARB Deposits	5,000	-	5,000
Reserve Cash	-	216,993	216,993
Total Cash Balances	13,260	216,993	230,253

SEE REPORT OF INDEPENDENT AUDITORS

The accompanying Notes to Financial Statements are an integral part of these financial statements.

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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South Island Plantation Association, Inc., is a statutory not for profit association incorporated and existing under the laws of the State of South Carolina. The Association is responsible for maintaining and preserving common property, enforcing rules for mutual benefit, and providing other common services to Association members. The Association consists of one hundred eighty-six residential lots, and is located in Georgetown County, South Carolina. The Association began its operations in 2005.

The following is a summary of the more significant accounting policies used in the preparation and presentation of the accompanying financial statements of the Association.

Basis of Accounting:

The financial statements were prepared under accounting principles generally accepted within the United States of America, utilizing the accrual basis of accounting with revenues being recognized when they are billed or due and expenses being recognized when the expense is incurred.

The Association's governing documents provide certain guidelines for managing its financial activities. To ensure observance of limitations and restrictions on financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in specific funds established according to their nature and purpose. The Association's funds are separated between operating funds and funds for future major repairs and replacements (reserve fund). Operating disbursements are made generally at the discretion of the Board of Directors and the Association's property management company. Replacement funds have been set aside for a specific purpose and are to be disbursed accordingly.

Common Property:

Real property owned by individual unit owners in common and improvements made by the Association to such property are not capitalized in the financial statements. All expenditures for real property common elements and improvements are reflected as an expense in the period incurred. Common property elements not recognized as assets in the financial statements consist primarily of access roads and parking areas, club house and swimming pool facility, and other landscape and common areas. . The Association cannot dispose of common or limited common property without a change to the Association's governing documents.

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SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
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Allowance for Doubtful Accounts:

The Association, as determined necessary and on an annual basis, establishes an allowance for potentially uncollectible member assessments receivable based on historical collection experience and management's evaluation of the collectability of outstanding balances due.

Income Taxes:

For the year ended December 31, 2017, the Association elected to file federal tax form 1120-H under IRS code section 528. Under that election, the association is taxed only on its non exempt function income, such as interest earnings. The federal tax rate is 30%, and the state tax rate is 5%. Exempt function income, which consists primarily of member assessments, is not taxable. When applicable, interest and penalties will be a part of income tax expense.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contingencies:

During the course of its operations, the Association is subject to various legal actions normally associated with homeowners associations, such as the collection of delinquent assessments, and covenant compliance matters. The aggregate effect of these matters, and the potential outcome, in management's opinion, would not be material to the financial statements taken as a whole.

NOTE 2. CASH AND CREDIT RISK CONCENTRATIONS
--

Cash consists of balances on deposit, including interest-bearing deposits, with a financial institution. The balances on deposit at the financial institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). There were no uninsured balances at December 31, 2017. The Association manages credit risk concentrations, if any, by placing deposits only with nationally recognized, highly reputable financial institutions.

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. ASSESSMENTS AND FEES CHARGED TO UNIT OWNERS

Regular Assessments:

Regular monthly assessments charged to each owner were \$90 in 2017.

The Association's policy is to retain legal counsel and place liens on lots of members whose assessments are delinquent. All of the Association's assessments receivable are related to billed assessments and fees.

As of December 31, 2017 the Association had recorded an allowance for doubtful accounts in the amount of \$65,972 for probable uncollectible accounts. The annual budget and owners' assessments are determined by the Board of Directors to provide for current operating expenditures and required replacement funds. The Association retains excess operating funds at the end of each year, if any, for use in the subsequent year.

NOTE 4. INCOME TAXES

Under the provisions of the Internal Revenue Code, the Association is allowed to elect each year to file as an eligible Section 528 homeowners association, thereby excluding exempt function income from taxation, or file as an ordinary taxable corporation. For the years ended December 31, 2017, the Association elected to file as an eligible homeowners Association in order to minimize income taxes. The provision for income taxes for 2017 relates primarily to interest income. The Association has no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded.

The Association has analyzed its various federal and state income tax filing positions and believes that no accrual for tax liabilities relating to uncertain tax positions are required at December 31, 2017. Therefore, no reserves for uncertain income tax positions have been recorded. During 2017, there were no increases or decreases in unrecognized tax benefits for current or prior years and no significant increases or decreases in unrecognized tax benefits are expected to occur within the next 12 months. The periods that remain open to examination under federal statute are 2014 through 2017. The federal tax rate is 30%, and the state tax rate is 5%.

(continued)

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide that the Association accumulate funds for future major repairs and replacements of the specific components of common property, including personal property. As of December 31, 2017, the Association had accumulated replacement fund balances of \$203,863. This amount is held in separate accounts and is generally not available for operating purposes. It is the Association's policy that interest earned on these separate cash balances is generally allocated to the replacement funds.

The Board of Directors conducted an internal review during 2017 to estimate the remaining useful lives and the replacement costs of common property components. The Association is funding for such future major repairs and replacements over the estimated useful lives of the components based on the internal review's estimates of current replacement costs, considering amounts previously designated for future major repairs and replacements. Because actual expenditures may vary from estimated future expenditures, and the variations may be material, amounts designated for future major repairs and replacements may not be adequate to meet all future needs for major replacements and repairs. If additional funds are needed, the Association has the right, subject to appropriate approval, to increase regular assessments, pass special assessments, borrow funds, or delay major repairs and replacements until funds are available.

NOTE 6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2018, the date the financial statements were available to be issued, and has concluded that no significant subsequent events meet the criteria of professional accounting standards to be recognized, or not recognized but disclosed, in the financial statements.

(continued)

Andrew C. Thompson, CPA

Certified Public Accountant and Auditor

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

***To the Board of Directors and Members
South Island Plantation Association, Inc.
Georgetown County, South Carolina***



We have audited the accompanying financial statements of South Island Plantation Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements. Our opinion on supplementary information is presented below.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of budget to actual revenues and expenses – operating fund - for the year ending December 31, 2017 appearing on pages 11 – 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information schedule on future major repairs and replacements, appearing on page 13 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.

Myrtle Beach, South Carolina
May 16, 2018

Andrew C. Thompson, CPA

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF BUDGET TO ACTUAL REVENUES AND EXPENSES - OPERATING FUND

For the Year Ended December 31, 2017

	Actual	<i>(unaudited)</i> Budget	Variance
REVENUES			
Assessments (Note 3):			
Regular	\$ 174,690	\$ 200,940	\$ (26,250)
Clubhouse fees	11,895	5,000	6,895
Fines and late charges, and legal fees	7,645	-	7,645
Interest income	8	-	8
ARB impact fees	1,000	-	1,000
Miscellaneous income	103	-	103
TOTAL REVENUES	195,341	205,940	(10,599)
EXPENSES			
Pool maintenance			
Pool contract	10,800	10,800	-
Pool supplies, equipment and maintenance	10,080	8,625	1,455
Total pool maintenance expenses	20,880	19,425	1,455
Clubhouse maintenance			
Clubhouse operations	17,734	8,495	9,239
Total clubhouse maintenance expenses	17,734	8,495	9,239
Landscaping maintenance			
Landscape maintenance contract	58,488	48,600	9,888
Landscape maintenance supplies	3,868	6,610	(2,742)
Bushhogging expenses	11,250	11,250	-
Storm damage repairs	300	1,000	(700)
Total landscaping maintenance expenses	73,906	67,460	6,446
Facility maintenance			
General maintenance and material	2,025	-	2,025
Trash removal	984	950	34
Interior pest control and termite treatment	2,593	2,050	543
Total facility maintenance expenses	5,602	3,000	2,602

SEE REPORT OF INDEPENDENT AUDITORS

SOUTH ISLAND PLANTATION ASSOCIATION, INC.

STATEMENT OF BUDGET TO ACTUAL REVENUES AND EXPENSES - OPERATING FUND

For the Year Ended December 31, 2017

(continued)

	Actual	<i>(unaudited)</i> Budget	Variance
EXPENSES (continued)			
General and administrative			
Office supplies and expenses	4,854	6,100	(1,246)
Legal and accounting	3,443	5,800	(2,357)
Management services	18,000	18,000	-
Insurance	12,052	19,500	(7,448)
Income and property taxes	5,089	-	5,089
Website expenses	495	500	(5)
Bad debt expense	243	10,000	(9,757)
Total general and administrative expenses	44,176	59,900	(15,724)
Utilities			
Electricity	19,814	15,000	4,814
Telephone	2,656	2,710	(54)
Water and sewer	6,031	2,750	3,281
Total utilities expenses	28,501	20,460	8,041
Other expenses			
Annual meeting, social expenses	2,234	-	2,234
Reserve funding	-	26,250	(26,250)
Security gates	2,008	950	1,058
Total Other Expenses	4,242	27,200	(22,958)
TOTAL EXPENSES	195,041	205,940	(10,899)
EXCESS OF REVENUES OVER EXPENSES	300	-	300

SEE REPORT OF INDEPENDENT AUDITORS

