

Flowers Plantation Foundation, Inc.

Financial Statements
For the Year Ended December 31, 2023

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Flowers Plantation Foundation, Inc.
Clayton, North Carolina

Opinion

We have audited the accompanying financial statements of Flowers Plantation Foundation, Inc., which comprise the balance sheet as of December 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flowers Plantation Foundation, Inc. as of December 31, 2023, 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.

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 Responsibility section of our report. We are required to be independent of Flowers Plantation Foundation, Inc. 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, 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 Flowers Plantation Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are to be issued.

Members
American Institute of CPAs – N.C. Association of CPAs – AICPA Division of Firms

Auditor's 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Flowers Plantation Foundation, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Flowers Plantation Foundation, Inc.'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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on pages 9 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, which 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

June 11, 2024

BASIC FINANCIAL STATEMENTS

Flowers Plantation Foundation, Inc.
Balance Sheet
December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash	\$ 4,699	\$ 1,175,034	\$ 1,179,733
Loan receivable	1,110	-	1,110
Due from Operating to Replacement	-	67,414	67,414
Total Assets	<u>\$ 5,809</u>	<u>\$ 1,242,448</u>	<u>\$ 1,248,257</u>
Liabilities and Fund Balances			
Accounts Payable	\$ 49,559	\$ -	\$ 49,559
Due to Replacement from Operating	<u>67,414</u>	<u>-</u>	<u>67,414</u>
Total Liabilities	116,973	-	116,973
Fund Balances	<u>(111,164)</u>	<u>1,242,448</u>	<u>1,131,284</u>
Total Liabilities and Fund Balances	<u>\$ 5,809</u>	<u>\$ 1,242,448</u>	<u>\$ 1,248,257</u>

Flowers Plantation Foundation, Inc.
Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended December 31, 2023

Revenues	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assessment income	\$ 1,208,147	\$ -	\$ 1,208,147
Street fund assessments	-	112,500	112,500
Interest income	-	46,553	46,553
Miscellaneous income	1,644	-	1,644
Total Revenues	<u>1,209,791</u>	<u>159,053</u>	<u>1,368,844</u>
 Expenses			
General and Administrative			
Management fees	462,024	-	462,024
Insurance	10,278	-	10,278
Professional fees	193,154	-	193,154
Other general and administrative	3,472	-	3,472
Total General and Administrative	<u>668,928</u>	<u>-</u>	<u>668,928</u>
Common Area Expenses			
Grounds maintenance	355,158	108,455	463,613
Repairs and maintenance	223,319	-	223,319
Utilities	94,986	-	94,986
Total Common area expenses	<u>673,463</u>	<u>108,455</u>	<u>781,918</u>
Total Expenses	<u>1,342,391</u>	<u>108,455</u>	<u>1,450,846</u>
Revenues Over (Under) Expenses	(132,600)	50,598	(82,002)
Beginning Fund Balances	<u>21,436</u>	<u>1,191,850</u>	<u>1,213,286</u>
Ending Fund Balances	<u>\$ (111,164)</u>	<u>\$ 1,242,448</u>	<u>\$ 1,131,284</u>

Flowers Plantation Foundation, Inc.
Statement of Cash Flows
For the year ended December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Net Cash Flows From Operating Activities			
Excess (Deficit) of Revenues Over (Under) Expenses	\$ (132,600)	\$ 50,598	\$ (82,002)
Adjustments to Reconcile Excess (Deficit) of Revenues Over (Under) Expenses to Net Cash Provided (Used) By Operating Activities:			
(Increase) Decrease in:			
Loan receivable	(110)	-	(110)
Due from other fund	-	(67,414)	(67,414)
Increase (Decrease) in:			
Accounts Payable	113,039	(1,000)	112,039
Net Cash Provided (Used) by Operating Activities	<u>112,929</u>	<u>(68,414)</u>	<u>44,515</u>
Net Increase (Decrease) in Cash	(19,671)	(17,816)	(37,487)
Cash at Beginning of Year	<u>24,370</u>	<u>1,192,850</u>	<u>1,217,220</u>
Cash at End of Year	<u>\$ 4,699</u>	<u>\$ 1,175,034</u>	<u>\$ 1,179,733</u>

NOTES TO THE FINANCIAL STATEMENTS

Flowers Plantation Foundation, Inc.
Notes to Financial Statements
December 31, 2023

Note 1 - Nature of Organization

Flowers Plantation Foundation, Inc. was incorporated on July 28, 1988 in the State of North Carolina. The Association is a non-profit corporation and part of Flowers Plantation, which is a 3,500-plus acre mixed use, master planned community. The Association is responsible for the maintaining NC Department of Transportation rights of way, entrances, fencing, walking trails and other common property areas within the development. The development consists of residential and commercial units and/or lots located in Clayton, North Carolina.

Note 2 - Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 11, 2024, the date that the financial statements were available to be issued.

Note 3 - Significant Accounting Policies

The Foundation uses the accrual basis of accounting which requires that the assessment revenues are recorded when earned and expenses are recorded when incurred. The Foundation's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restriction on the use of the financial resources, the Foundation maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Foundation.

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

Assessments

Residential and commercial units at Flowers Plantation Foundation, Inc. are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements to common areas. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Association for use in future years.

It is the opinion of the Board of Directors that the Foundation will ultimately prevail against homeowners with delinquent assessments and accordingly, no allowance for uncollectible accounts is deemed necessary.

Property and Equipment

The Association capitalizes all property and equipment (other than that acquired from the developer) to which it holds title or has other evidence of ownership. 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.

Property and equipment acquired by the Association is recorded at cost. Property contributed to the Association by the developer has not been reflected in the Association's financial statements. The assets are depreciated over their tax recovery class life (which does not differ materially from their estimated useful lives) using an accelerated method of depreciation.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Estimates

Management uses estimates and assumptions related to bad debts and depreciation expense that affect certain reported amounts and disclosures in preparing financial statements in conformity with U.S. generally accepted accounting principles. Accordingly, actual results could differ from these estimates.

Note 4 - Tax Policies

Flowers Plantation Foundation, Inc. is a corporation organized in North Carolina with no capital stock authorized or outstanding. The Foundation elects to be considered as exempt from Federal income taxes as provided under Section 528(c)(1)(e) of the Internal Revenue Code of 1986. Under Section 528(c)(1)(e), only interest and other nonexempt function income is considered taxable. The Foundation is also exempt from North Carolina Corporation Franchise Tax. No provision for income taxes has been recorded.

Note 5 - Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated replacement funds, which aggregate \$1,191,850 at December 31, 2023, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund.

The Board of Directors has determined the remaining useful lives of the common property components and current estimates of costs of major repairs and replacements that may be required in the future. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the current replacement costs, considering amounts previously accumulated in the Capital Reserve Fund. Actual expenditures may vary from the estimated amounts in the study and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

Note 6 - Concentration of Credit Risk

The Association maintains cash balances at a financial institution located in Clayton, North Carolina. Accounts are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023, the Association's uninsured cash balances totaled \$929,733.

Note 7 - Statement of Cash Flows

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for income taxes was \$0 and for interest was \$0.

Note 8 - Related Party Transactions

The records and management of the Association are handled by DWF Development, Inc., which is a corporation owned by the Declarant. Management fees paid to DWF Development, Inc. totaled \$462,024 for the year ended December 31, 2023.

Note 9 -Revenue Recognition

Revenue from owner assessments are recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.

Note 10 -Subsequent Events

The Foundation has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Foundation has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

SUPPLEMENTARY INFORMATION

Flowers Plantation Foundation, Inc.
 Supplementary Information on Future Major Repairs and Replacements
 (Unaudited)
 December 31, 2023

The Association's Board of Directors has determined the remaining useful lives and the replacement costs of the components of common property.

Component	Estimated Remaining Life (Years)	Estimated Current Replacement Costs	Reserve Fund Balance at December 31, 2023
Berm rotations	1 - 4	\$ 462,940	\$ 369,380
Pedestrian Trails	1 - 2	97,517	77,971
East Neuse River Parkway resurfacing	5 - 15	125,000	203,746
Other Street resurfacing	5	<u>771,309</u>	<u>540,753</u>
Grand Total		<u>\$ 1,456,766</u>	<u>\$ 1,191,850</u>