# LITCHFIELD BY THE SEA
# COMMUNITY ASSOCIATION, INC.
# PAWLEYS ISLAND, SOUTH CAROLINA

## FINANCIAL STATEMENTS AND
## SUPPLEMENTARY INFORMATION

## YEARS ENDED DECEMBER 31, 2024 AND 2023

LITCHFIELD BY THE SEA
COMMUNITY ASSOCIATION, INC.
PAWLEYS ISLAND, SOUTH CAROLINA

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Phillips, Currin & Company, CPA's, LLC

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Litchfield by the Sea Community Association, Inc.
Pawleys Island, South Carolina

**Opinion**

We have audited the accompanying financial statements of Litchfield by the Sea Community Association, Inc., which comprise the balance sheet as of December 31, 2024, 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 Litchfield by the Sea Community Association, Inc. as of December 31, 2024, 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.

**Report on Summarized Comparative Information**

We have previously audited the Litchfield by the Sea Community Association, Inc.'s December 31, 2023 financial statements, and our report dated June 17, 2024 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**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 Litchfield by the Sea Community Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 Litchfield by the Sea Community Association, Inc.'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 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 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 Litchfield by the Sea Community Association, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Litchfield by the Sea Community Association, 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 the information on future major repairs and replacements on page 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The comparison of actual amounts to budget on pages 15-16, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Phillips, Currie & Company, CPA's, LLC

August 28, 2025

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC
PAWLEYS ISLAND, SOUTH CAROLINA

BALANCE SHEETS
DECEMBER 31

| | Operating Fund | Replacement Fund | 2024 Totals | 2023 Totals |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash And Cash Equivalents | $ 469,271 | $ 81,104 | $ 550,375 | $3,213,870 |
| Short Term Investments | | 399,353 | 399,353 | |
| Long Term Investments | | 1,792,093 | 1,792,093 | |
| Accrued Interest Receivable | | 19,995 | 19,995 | |
| Accounts Receivable - Members, Net | 13,119 | | 13,119 | 7,517 |
| Accounts Receivable - Other | 61,269 | | 61,269 | 20,119 |
| Prepaid Expense | 286 | | 286 | |
| Prepaid Insurance | 80,356 | | 80,356 | 71,961 |
| Deposit | | | | 52,000 |
| Land | 930,974 | | 930,974 | |
| Building And Improvements | 282,530 | | 282,530 | |
| Furniture, Fixtures, And Equipment | 33,593 | | 33,593 | 33,593 |
| Accumulated Depreciation | (33,593) | | (33,593) | (33,593) |
| TOTAL ASSETS | $ 1,837,805 | $ 2,292,545 | $ 4,130,350 | $3,365,467 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | $ 151,378 | $ 5,300 | $ 156,678 | $ 148,938 |
| Note Payable | 1,066,055 | | 1,066,055 | |
| Advanced Member Assessments | 128,669 | | 128,669 | 445,443 |
| ARB Landscaping And Construction Deposits | 61,775 | | 61,775 | 58,775 |
| Income Taxes Payable | 23,121 | | 23,121 | |
| Prepaid Utilities Escrow | 737 | | 737 | |
| Prepaid Beach House Fees | 23,002 | | 23,002 | 26,017 |
| Contract Liability - Assessments Received In Advance - Replacement Fund | | 2,287,245 | 2,287,245 | 2,428,575 |
| TOTAL LIABILITIES | 1,454,737 | 2,292,545 | 3,747,282 | 3,107,748 |
| Fund Balances | 383,068 | | 383,068 | 257,719 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 1,837,805 | $ 2,292,545 | $ 4,130,350 | $3,365,467 |

See accompanying notes to financial statements.

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC
PAWLEYS ISLAND, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31

| | Operating Fund | Replacement Fund | 2024 Totals | 2023 Totals |
|---|---|---|---|---|
| REVENUES | | | | |
| Member Assessments | $ 2,934,994 | $ 775,839 | $ 3,710,833 | $ 3,339,719 |
| Resort Fee Income | 706,730 | | 706,730 | |
| Commercial Units Assessments | 18,864 | | 18,864 | 17,834 |
| River Club Golf Course Assessments | 7,380 | | 7,380 | 6,960 |
| Cable Assessments | 155,502 | | 155,502 | 145,850 |
| ARB Impact And Review Fees | 1,200 | | 1,200 | 500 |
| Beach House Usage Fees | 34,885 | | 34,885 | 22,650 |
| Insured Loss Proceeds | 5,932 | | 5,932 | 20,446 |
| Miscellaneous Income | 49,650 | | 49,650 | 122,534 |
| Interest Income | 10,189 | | 10,189 | 2,068 |
| Late Fees And Fines | 8,630 | | 8,630 | 8,020 |
| TOTAL REVENUES | 3,933,956 | 775,839 | 4,709,795 | 3,686,581 |
| EXPENSES | | | | |
| Grounds Contract Maintenance | 300,000 | | 300,000 | 251,516 |
| Landscape Maintenance and Supplies | 188,557 | | 188,557 | 172,155 |
| Irrigation Maintenance | 43,392 | | 43,392 | 25,839 |
| Pool Maintenance And Supplies | 16,540 | | 16,540 | 18,551 |
| Fountain Maintenance | 20,946 | | 20,946 | 20,091 |
| Pest And Termite Control | 1,852 | | 1,852 | 1,201 |
| Insured Loss Expense | 4,059 | | 4,059 | 20,366 |
| Major Repairs And Replacements | | 775,839 | 775,839 | 1,026,067 |
| General And Common Area Maintenance | 110,011 | | 110,011 | 92,525 |
| Facility Maintenance | 128,980 | | 128,980 | 111,216 |
| Security Service Contract | 782,807 | | 782,807 | 700,552 |
| Security Administrative And Telephone | 84,190 | | 84,190 | 90,010 |
| Gate Maintenance | 63,526 | | 63,526 | 52,246 |
| Beach House Maintenance | 17,990 | | 17,990 | 16,327 |
| Litchfield Beautification Foundation | 36,000 | | 36,000 | 36,500 |
| Resort Fee Expenses | 338,818 | | 338,818 | |
| Special Assessment Projects | 289,751 | | 289,751 | |
| Management Agreement | 454,183 | | 454,183 | 415,404 |
| Association Site Staff | 186,483 | | 186,483 | |

See accompanying notes to financial statements.

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC
PAWLEYS ISLAND, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31

| | Operating Fund | Replacement Fund | 2024 Totals | 2023 Totals |
|---|---|---|---|---|
| EXPENSES (CONTINUED) | | | | |
| Insurance | 149,726 | | 149,726 | 129,983 |
| Interest Expense | 35,475 | | 35,475 | |
| Income Tax Expense | 23,121 | | 23,121 | |
| Legal | 33,896 | | 33,896 | 14,185 |
| Accounting | 9,150 | | 9,150 | 7,665 |
| Professional Fees | 78,161 | | 78,161 | 99,685 |
| Property Taxes And Licenses | 6,310 | | 6,310 | 2,265 |
| Office And Administrative Expense | 105,112 | | 105,112 | 71,812 |
| Website Expense | 8,388 | | 8,388 | 10,204 |
| Electricity | 97,538 | | 97,538 | 98,492 |
| Cable | 155,912 | | 155,912 | 134,357 |
| Water And Sewer | 23,297 | | 23,297 | 25,070 |
| Disposal | 890 | | 890 | 236 |
| Telephone | 13,546 | | 13,546 | 9,680 |
| TOTAL EXPENSES | 3,808,607 | 775,839 | 4,584,446 | 3,654,200 |
| Excess Of Revenues Over Expenses | 125,349 | | 125,349 | 32,381 |
| Fund Balances - Beginning Of Year | 257,719 | | 257,719 | 225,338 |
| Fund Balances - End Of Year | $ 383,068 | $ | $ 383,068 | $ 257,719 |

See accompanying notes to financial statements.

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC
PAWLEYS ISLAND, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

| | Operating Fund | Replacement Fund | 2024 Totals | 2023 Totals |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Excess Of Revenues Over Expenses | $ 125,349 | $ | $ 125,349 | $ 32,381 |
| Adjustments To Reconcile Excess Of Revenues Over Expenses To Net Cash Provided (Used) By Operating Activities: | | | | |
| (Increase) Decrease In: | | | | |
| Accounts Receivable - Members, Net | (5,601) | | (5,601) | 5,657 |
| Accounts Receivable - Other | (41,150) | | (41,150) | |
| Accrued Interest Receivable | | (19,995) | (19,995) | |
| Deposit | 52,000 | | 52,000 | (52,000) |
| Prepaid Insurance | (8,395) | | (8,395) | (12,302) |
| Increase (Decrease) In: | | | | |
| Accounts Payable | 15,984 | (8,243) | 7,741 | 88,958 |
| Advanced Member Assessments | (316,774) | | (316,774) | 71,569 |
| ARB Landscaping And Construction Deposits | 3,000 | | 3,000 | (6,000) |
| Income Taxes Payable | 23,121 | | 23,121 | |
| Prepaid Utilities Escrow | 737 | | 737 | (75,297) |
| Prepaid Beach House Fees | (3,015) | | (3,015) | 6,500 |
| Contract Liability - Assessments Received in Advance - Replacement Fund | | (141,330) | (141,330) | (47,039) |
| Net Cash Provided (Used) By Operating Activities | (155,032) | (169,568) | (324,600) | 12,427 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds From Note Payable | 1,093,500 | | 1,093,500 | |
| Note Payable Repayment | (27,445) | | (27,445) | |
| (Increase) Decrease In Interfund Receivable | (18,750) | 18,750 | | |
| Net Cash Provided (Used) By Financing Activities | 1,047,305 | 18,750 | 1,066,055 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchases Of Real Property | (1,213,504) | | (1,213,504) | |
| Purchases Of Investments | | (2,191,446) | (2,191,446) | |
| Net Cash Provided (Used) By Investing Activities | (1,213,504) | (2,191,446) | (3,404,950) | |

See accompanying notes to financial statements.

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC
PAWLEYS ISLAND, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

| | Operating Fund | Replacement Fund | 2024 Totals | 2023 Totals |
|---|---|---|---|---|
| Net Increase In Cash | (321,231) | (2,342,264) | (2,663,495) | 12,427 |
| Cash And Cash Equivalents Balance - Beginning Of Year | 790,502 | 2,423,368 | 3,213,870 | 3,201,443 |
| Cash And Cash Equivalents Balance - End Of Year | $ 469,271 | $ 81,104 | $ 550,375 | $ 3,213,870 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | | | | |
|---|---|---|---|---|
| Cash Paid During The Year For: | | | | |
| Interest Expense | | | $ 35,282 | |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

## NOTE 1 - NATURE OF ORGANIZATION

Litchfield by the Sea Community Association, Inc. (the "Association") is a not-for-profit association incorporated and existing under the laws of the State of South Carolina. Litchfield by the Sea is an umbrella association for other associations located at Litchfield by the Sea Resort. The Association is responsible for properties common to individual associations located within the planned community. There are two thousand seven hundred eighty-two members. The Association began its operations on June 12, 1978 in the State of Delaware.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements were prepared 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.

Fund Accounting: The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association 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 Association.
Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements (commonly referred to as designated reserve funds).

Member Assessments: Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from the outstanding assessments from unit owners. The Association's policy is to retain legal counsel and to place liens on members who are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

An allowance for doubtful accounts receivable has been provided in the financial statements for those accounts management has deemed uncollectible. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balance of assessments receivable at December 31, 2024 and 2023 is $28,870 and $18,807, respectively.

Public and Commercial Assessments: Owners of public and commercial units are subject to annual assessments based on square footage.

Golf Course Assessments: Golf course assessments are fixed assessments based on an agreement with Myrtle Beach National. The assessments reimburse the Association for the use of roadways by golf course traffic.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beach/Residents Club Fees: Association members are charged for the use of the clubhouse. These revenues are presented as Beach House Usage Fees.

Resort Fees: During 2024, the Board of Directors implemented a policy aimed at short term rentals to assist in the funding of maintenance and improvements within the Association. $15 per night, capped at $210 per rental, is collected and remitted to the Association at the time of the reservation.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Architectural Review Board Fees: Architectural Review Board Fees consist of impact fees, construction deposits and landscape deposits charged to developer/construction companies. The community impact fee is a non-refundable fee based on the type and duration of a construction project. The community impact is used to defray the costs of repairs to roadways and to compensate for additional security, trash and housekeeping burden placed on the Association's maintenance and security forces during the construction process. The construction and landscaping deposits are based on the type of construction project. The deposits are held in escrow until the projects are completed in accordance with community standards.

Contributed Capital: Association members are charged a one-time fee to provide operating capital for the Association. These fees are collected at the real estate closing.

Property, Equipment and Accumulated Depreciation: Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. The Association will capitalize personal property to which it has title at cost and depreciation will be calculated by an accelerated method for both income tax and financial reporting. Assets will be depreciated over lives of five to seven years.

Contract Liabilities (Assessments Received in Advance – Replacement Fund): The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligation related to the replacement reserve assessments (commonly referred to as designated reserve funds). The balance of contract liability (assessments received in advance – replacement fund) at December 31, 2024 and 2023 is $2,287,245 and $2,428,575, respectively.

## NOTE 3 - CONCENTRATION OF CREDIT RISK

The Association maintains its cash in financial institutions, which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures the balances on deposit at each financial institution up to $250,000. At December 31, 2024 and 2023, uninsured balances totaled $0 and $170, respectively.

NOTE 4 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 28, 2025, the date the financial statements were available to be issued.

NOTE 5 - INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the years ended December 31, 2024 and 2024, the Association elected to file as a homeowners' association in accordance with Internal Revenue Section 528. As such, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners.

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (COMMONLY REFERRED TO AS DESIGNATED RESERVE FUNDS)

The Association's governing documents provide that the Association maintains a reserve fund for future major repairs and replacements of the specific components of common property. As of December 31, 2024, the Association accumulated designated funds of $2,272,550, also including $19,995 of accrued interest receivable. As of December 31, 223, the Association accumulated designated funds of $2,423,368. These accumulated replacement funds are held in separate accounts and are 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 designated funds. For the years ended December 31, 2024 and 2023, the Association earned interest income on designated funds totaling $94,822 and $29,362, respectively. The Board of Directors engaged a qualified professional to conduct a study to estimate the remaining useful lives and the replacement costs of common property components. The most recent Reserve Study was conducted in 2023. The Association is funding for such future major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs. 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 repairs and replacements. If additional funds are needed, the Association has the right, subject to appropriate approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 7 - CABLE, RECYCLING AND TRASH SERVICE ESCROW

The Association purchases recycling and trash removal services from providers on behalf of Association members. The cost of the services for the individual members is reduced because of the volume discount received by the Association. The members pay their proportionate share of the fees to the Association. The Association deposits fees collected from the members into cash escrow accounts and pays the service providers from the escrow accounts.

NOTE 8 - CONTINGENCIES

The Association is a party to various legal actions normally associated with homeowners' associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion would not be material to the future financial condition of the Association.

## NOTE 9- SPECIAL ASSESSMENTS

For the year ended December 31, 2024 and 2023, the Association's board of directors levied a special assessment totaling $317,523 and $300,258, respectively. The proceeds of the assessments were to fund various projects within the Association.

## NOTE 10- LAND ACQUISITION

In 2023, the Board of Directors approved the purchase of adjacent real property in order to acquire additional common property for the benefit of the Association. An earnest deposit of $52,000 was paid by the Association to the seller. In 2024, the Association acquired the parcel of land and an adject parcel of real property totaling $1,213,504, including the initial earnest deposit. Financing for both properties totaling $1,093,500 was secured during 2024. See the following note disclosure regarding the note payable.

## NOTE 11- NOTE PAYABLE

In June 2024, the Board of Directors signed a promissory note with proceeds totaling $1,093,500 in order to secure the purchase of real estate. The term of the note is one hundred eighty (180) months. The initial rate of interest is fixed for the first one hundred twenty (120) months at 6.4%. The remaining sixty (60) months of interest will be the greater of 6.4% or the daily yield curve rate on United States Treasury 5-year constant maturity rates in effect for the date of the change, plus 2%. The lender will recalculate the interest and principal payment at that time to be sufficient to repay the then unpaid principal balance. The note is collateralized by current and future regular and special assessments. The loan balance represented in the liability section of the Association's balance sheet is reflected net of loan origination costs. See previous discussion regarding the Association's land acquisition.

Balance of the note at December 31, 2024 is $1,066,055 and related interest expense is $3,722 and $4,855 at December 31, 2024 and 2023, respectively. Current maturities are as follows:

| Period | Principal |
|---|---|
| 2025 | $ 47,073 |
| 2026 | 50,175 |
| 2027 | 53,483 |
| 2028 | 57,008 |
| 2029 and after | 858,316 |
| | $ 1,066,055 |

## NOTE 12 - INVESTMENTS

At December 31, 2024, the Association held investments in certificates of deposits and government securities that consisted of the following:

NOTE 12 - INVESTMENTS (CONTINUED)

| | December 31, 2024 | | |
|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gain (Loss) | Estimated Fair Value |
| Short Term Investments | $ 399,435 | $ (82) | $ 399,353 |
| Long Term Investments | 1,795,593 | (3,500) | 1,792,093 |
| Total Investments | $ 2,195,028 | $ (3,582) | $ 2,191,446 |

The amortized cost and estimated fair value of short term and long-term investments at December 31, 2024, by contractual maturity, were as follows:

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| Due in 1 year or less | $ 399,435 | $ 399,353 |
| Due in 2-5 years | 1,646,551 | 1,643,763 |
| Due in 6-10 years | 149,042 | 148,330 |
| Total Investments | $ 2,195,028 | $ 2,191,446 |

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments: The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements to be effective for fiscal years beginning after November 15, 2007. The Statement defines fair value, establishes a framework for measuring fair value as generally accepted accounting principals ("GAAP"), and expands financial statement disclosures about fair value measurements for financial assets and liabilities. Under U.S. GAAP, the Association must disclose an estimate of the fair value of its material financial instruments (assets and liabilities).

Financial assets are cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right (1) to receive cash or another financial instrument from a second entity or (2) to exchange other financial instruments on potentially favorable terms with the second entity.

Financial liabilities are contracts that impose on one entity an obligation (1) to deliver cash or another financial instrument to a second entity or (2) to exchange other financial instruments on potentially unfavorable terms with the second entity.

In order to increase consistency and comparability in fair value measurements and related disclosure, the Statement prioritizes the valuation techniques (inputs) used to measure fair value into three broad levels, as summarized below:

- Level 1: Inputs that are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs that are other than quoted prices included within Level 1 that are observable for assets or liabilities, such as:

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market).
- Inputs other than quoted prices that are observable for assets or liabilities (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, an default rates).
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

- Level 3: Inputs that are unobservable for assets or liabilities. Unobservable inputs are to be used to measure fair value to the extent that observable inputs are not available, allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following tables summarize the Associations' financial instruments:

| | December | Fair Value Measurements Using | | | Total |
|---|---|---|---|---|---|
| Description | 31, 2024 | Level 1 | Level 2 | Level 3 | Gains/(Losses) |
| Short Term Investments | $ 399,353 | $ 399,353 | | | $ (82) |
| Long Term Investments | 1,792,093 | 1,792,093 | | | (3,500) |
| Total Investments | $ 2,191,446 | $ 2,191,446 | | | $ (3,582) |

SUPPLEMENTARY INFORMATION

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC.
PAWLEYS ISLAND, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
DECEMBER 31

The Association's board of directors engaged a qualified professional to conduct a study to estimate the remaining useful lives and the estimated replacement costs. The following information is based on the study and presents significant information about the components of common property.

| Components | Estimated Remaining Life (Years) | Estimated Cost To Replace | Funding Requirement | Designated For Repairs/Replacements 12/31/2024 |
|---|---|---|---|---|
| **Property Site Elements** | | | | |
| Asphalt Pavement, Crack Repair, Patch and Seal Coat, Oceanside, Phased | 3 | $ 846,167 | $ 31,266 | $ 109,559 |
| Asphalt Pavement, Crack Repair, Patch and Seal Coat, River Club | 4 | 1,348,204 | 35,288 | 88,304 |
| Asphalt Pavement, Mill and Overlay, Oceanside | 6 | 910,888 | 13,102 | 127,141 |
| Asphalt Pavement, Mill and Overlay, River Club, Phased | 1 | 3,028,517 | 207,816 | 345,148 |
| Asphalt Pavement, Total Replacement, Oceanside | 24 | 2,972,371 | 8,868 | 500,898 |
| Catch Basins, Inspections and Capital Repairs, Oceanside | 6 | 32,720 | 471 | (6,129) |
| Catch Basins, Inspections and Capital Repairs, River Club, Phased | 1 | 56,876 | 3,903 | 4,178 |
| Concrete Curbs and Gutters, Partial | 29 | 266,452 | 707 | 10,053 |
| Crossovers and Decks, Composite and Wood, Phased | 18 | 2,281,168 | 10,413 | 115,825 |
| Crossovers and Decks, Furniture, Phased | 11 | 118,591 | 918 | 7,792 |
| Fences, Chain Link, Phased (Incl. Wood Fence by Main Gate, 2022 Project) | 23 | 138,097 | 492 | 7,010 |
| Fountains, Renovations, Phased (2022 is Budgeted) | 8 | 384,581 | 4,108 | (52,015) |
| Gate Entry and Security Systems, Phased | 8 | 985,513 | 10,528 | 72,176 |
| Gate Operators, Phased | 6 | 283,983 | 4,272 | 28,370 |
| Irrigation System, Pump, 25-HP | 0 | 221,764 | 15,217 | 51,927 |
| Irrigation System, Pump, 75-HP | 4 | 444,234 | 10,748 | 62,779 |
| Irrigation System | 7 | 578,736 | 6,810 | 83,303 |
| Landscape, Partial Replacements (2023 is Pine Tree Removal at River Club) | 0 | 134,287 | 9,215 | 31,444 |
| Pipes, Subsurface Utilities, Partial | 2 | 365,294 | 25,123 | 84,898 |
| Ponds and Lake, Aerators, Proposed at River Club | 0 | 124,334 | 8,532 | 29,113 |
| Ponds and Lake, Fountains, Phased | 3 | 534,296 | 19,742 | 66,094 |
| Ponds and Lake, Bulkheads, Phased (2022 is Budgeted) | 26 | 1,110,837 | 3,416 | 61,671 |
| Shade Sails and Poles | 1 | 135,706 | 9,312 | 31,776 |
| Site Furniture, Benches, Phased | 8 | 68,858 | 736 | (211) |
| Sport Courts, Tennis, Color Coat, Phased (2022 Incl. Pickle Ball Conversion) | 0 | 689,829 | 47,336 | 86,926 |
| Sport Courts, Tennis, Fence, Phased | 19 | 146,320 | 635 | 6,061 |
| Sport Courts, Tennis, Light Poles and Fixtures | 8 | 124,296 | 1,284 | 16,244 |
| Sport Courts, Tennis, Surface Replacement, Phased | 19 | 525,812 | 2,282 | 28,234 |
| **Building Elements** | | | | |
| Air Handling and Condensing Units, Split Systems, Beach House | 1 | 186,903 | 12,825 | 28,064 |
| Air Handling and Condensing Units, Split Systems, Guard Houses & River C | 10 | 92,668 | 808 | 4,934 |
| Interior Renovations, Beach House | 5 | 208,368 | 3,712 | 30,205 |
| Rest Rooms, Renovation, Beach House | 9 | 36,676 | 334 | (1,089) |
| Rest Rooms, Renovation, Pavilion | 4 | 85,222 | 1,994 | 14,451 |
| Rest Rooms and Kitchen, Renovation, River Club | 2 | 116,019 | 8,022 | 21,093 |
| Roofs, Metal | 12 | 147,794 | 1,000 | 14,972 |
| Shades, Motorized, Beach House | 2 | 63,423 | 4,436 | 13,911 |
| Walls, Fiber Cement Siding | 29 | 113,675 | 309 | (7,368) |
| Windows and Doors, Phased | 28 | 275,095 | 820 | 4,558 |
| **Pool Elements** | | | | |
| Deck, Pavers | 14 | 180,938 | 1,051 | 15,820 |
| Fence, Wood | 19 | 35,816 | 155 | 1,923 |
| Furniture, Phased | 5 | 124,546 | 2,301 | 14,879 |
| Light Poles and Fixtures | 5 | 13,276 | 235 | 2,090 |
| Mechanical Equipment, Phased | 8 | 104,856 | 1,120 | 4,335 |
| Pool Finish, Plaster | 4 | 118,529 | 2,842 | (41,581) |
| Pool Finish, Tile | 4 | 11,865 | 278 | 2,012 |
| Structure and Deck, Total Replacement | 24 | 1,531,383 | 4,906 | 163,680 |
| Unallocated | | | | 1,787 |
| | | $ 22,305,783 | $ 539,688 | $ 2,287,245 |

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC.
PAWLEYS ISLAND, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION ON OPERATING FUND - COMPARISON OF ACTUAL TO BUDGET
YEAR ENDED DECEMBER 31, 2024

| | Actual | Budget | Variance |
|---|---|---|---|
| REVENUES | | | |
| Member Assessments | $ 3,479,679 | $ 3,477,010 | $ 2,669 |
| Resort Fee Income | 706,730 | | 706,730 |
| Commercial Units Assessments | 18,864 | 18,904 | (40) |
| River Club Golf Course Assessments | 7,380 | 7,380 | |
| Cable Assessments | 155,502 | 156,456 | (954) |
| ARB Impact And Review Fees | 1,200 | 250 | 950 |
| Beach House Usage Fees | 34,885 | 15,000 | 19,885 |
| Insurance Proceeds | 5,932 | | 5,932 |
| Miscellaneous Income | 53,030 | 32,000 | 21,030 |
| Interest Income | 10,189 | | 10,189 |
| Late Fees And Fines | 8,630 | | 8,630 |
| TOTAL REVENUES | 4,482,021 | 3,707,000 | 775,021 |
| EXPENSES | | | |
| Grounds Contract Maintenance | 300,000 | 300,000 | |
| Landscape Maintenance and Supplies | 188,557 | 152,000 | 36,557 |
| Irrigation Maintenance | 43,392 | 33,000 | 10,392 |
| Pool Maintenance And Supplies | 16,540 | 20,500 | (3,960) |
| Fountain Maintenance | 20,946 | 22,200 | (1,254) |
| Pest And Termite Control | 1,852 | 1,300 | 552 |
| Insurance Claim Expense | 4,059 | | 4,059 |
| General And Common Area Maintenance | 110,011 | 104,941 | 5,070 |
| Facility Maintenance | 128,980 | 112,883 | 16,097 |
| Security Service Contract | 782,807 | 778,000 | 4,807 |
| Security Administrative And Telephone | 84,190 | 90,000 | (5,810) |
| Gate Maintenance | 63,526 | 63,000 | 526 |
| Beach House Maintenance | 17,990 | 18,500 | (510) |
| Litchfield Beautification Foundation | 36,000 | 36,000 | |
| Resort Fee Expenses | 338,818 | | 338,818 |
| Special Assessment Projects | 289,751 | 317,998 | (28,247) |
| Management Agreement | 454,183 | 486,235 | (32,052) |
| Association Site Staff | 186,483 | | 186,483 |

See accompanying notes to financial statements.

LITCHFIELD BY THE SEA COMMUNITY ASSOCIATION, INC.
PAWLEYS ISLAND, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION ON OPERATING FUND - COMPARISON OF ACTUAL TO BUDGET
YEAR ENDED DECEMBER 31, 2024

| | Actual | Budget | Variance |
|---|---|---|---|
| EXPENSES (CONTINUED) | | | |
| Insurance | 149,726 | 158,000 | (8,274) |
| Interest Expense | 35,475 | | 35,475 |
| Income Tax Expense | 23,121 | | 23,121 |
| Legal | 33,896 | 14,400 | 19,496 |
| Accounting | 9,150 | 9,000 | 150 |
| Professional Fees | 78,161 | 80,000 | (1,839) |
| Property Taxes And Licenses | 6,310 | 1,500 | 4,810 |
| Office And Administrative Expense | 105,112 | 62,200 | 42,912 |
| Website Expense | 8,388 | 12,500 | (4,112) |
| Bad Debt Expense | 8,377 | 8,000 | 377 |
| Electricity | 97,538 | 97,000 | 538 |
| Cable | 155,912 | 156,456 | (544) |
| Water And Sewer | 23,297 | 20,000 | 3,297 |
| Disposal | 890 | 1,200 | (310) |
| Telephone | 13,546 | 10,500 | 3,046 |
| Replacement Fund Funding | 539,688 | 539,687 | 1 |
| TOTAL EXPENSES | 4,356,672 | 3,707,000 | 649,672 |
| Excess Of Revenues Over Expenses | $ 125,349 | $ | $ 125,349 |

See accompanying notes to financial statements.