Bella Vista Property Owners Association

Independent Auditor's Reports and Financial Statements

December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Bella Vista Property Owners Association
Bella Vista, Arkansas

Opinion

We have audited the financial statements of Bella Vista Property Owners Association (Association), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of revenues and expenses, changes in members' equity, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Association 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 the Association's ability to continue as a going concern within one year after the date that these financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Other Matter

Management has omitted information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this omitted information.

FORVIS, LLP

Rogers, Arkansas
April 26, 2024

Bella Vista Property Owners Association
Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash	$ 233,362	$ 108,365
Investments	5,982,184	10,269,827
Membership assessments receivable, net of allowance; 2023 – $70,778, 2022 – $60,532	191,170	124,751
Water utilities receivable, net of allowance; 2023 – $11,427, 2022 – $12,415	692,521	668,030
Other receivables		
Miscellaneous billing receivables	41,523	34,077
Employee assistance fund receivable	-	1,900
Lot sale receivables	13,591	174,815
Keg deposit receivables	3,355	3,140
Tournament receivables	3,767	-
Member accounts receivable miscellaneous	55,334	71,637
Inventories	995,782	866,885
Prepaid expenses	385,800	420,348
Member lots held for sale, net of estimated expenses	39,535	28,608
Total current assets	8,637,924	12,772,383
Property and Equipment, Net of Accumulated Depreciation	57,057,233	53,097,936
Right-of-Use Assets – Operating Leases	968,039	762,063
Total assets	$ 66,663,196	$ 66,632,382

Bella Vista Property Owners Association
Balance Sheets (Continued)
December 31, 2023 and 2022

	2023	2022
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Current portion of loans payable	$ 94,537	$ 91,695
Current portion of operating lease liabilities	496,193	434,902
Accounts payable	1,701,450	2,405,347
Accrued expenses	2,766,038	2,511,419
Members' deposits	433,226	405,088
Contract liabilities	833,955	1,317,939
Total current liabilities	6,325,399	7,166,390
Other Liabilities		
Long-term debt, net	2,261,896	2,356,433
Operating lease liabilities	472,138	327,833
Total liabilities	9,059,433	9,850,656
Members' Equity		
Contributed capital	32,628,284	32,628,284
Cumulative excess of revenue over expenses		
Undesignated	24,975,479	24,153,442
Total members' equity	57,603,763	56,781,726
Total liabilities and members' equity	$ 66,663,196	$ 66,632,382

Bella Vista Property Owners Association
Statements of Revenues and Expenses
Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Member assessments	$ 12,651,782	$ 12,215,365
Water	11,266,996	11,250,258
Golf cart rentals and green fees	5,144,125	4,210,532
Community and recreation center fees	484,890	517,486
Outdoor activities and recreational vehicle park fees	995,152	978,368
Property income	818,039	1,115,972
Pro shop clothing and equipment sales	889,094	735,233
Advertising	-	139,901
Income – City of Bella Vista	12,329	11,872
Food and beverage sales	4,262,941	3,482,774
Other recreation	41,057	35,259
Interest income – debt service	-	399
Other income	1,061,644	1,765,454
Total revenues	37,628,049	36,458,873
Expenses		
Program services		
Operating expenses	18,356,630	19,206,751
Cost of goods sold	5,188,148	4,645,438
Depreciation and amortization	2,854,576	2,967,074
Total program services	26,399,354	26,819,263
General and administrative		
Operating expenses	9,725,664	7,846,670
Environmental expense	632,566	1,355,658
Depreciation	48,428	36,516
Total general and administrative	10,406,658	9,238,844
Total expenses	36,806,012	36,058,107
Excess of Revenues Over Expenses	$ 822,037	$ 400,766

Bella Vista Property Owners Association
Statements of Changes in Members' Equity
Years Ended December 31, 2023 and 2022

	Contributed Capital	Undesignated	Designated for Debt Service	Total Members' Equity
Balance January 1, 2022	$ 32,628,284	$ 21,866,852	$ 1,885,824	$ 56,380,960
Designation of debt service for Series 2014 bonds	-	1,885,824	(1,885,824)	-
Excess of revenues over expenses	-	400,766	-	400,766
Balance December 31, 2022	32,628,284	24,153,442	-	56,781,726
Excess of revenues over expenses	-	822,037	-	822,037
Balance December 31, 2023	$ 32,628,284	$ 24,975,479	$ -	$ 57,603,763

Bella Vista Property Owners Association
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Excess of revenues over expenses	$ 822,037	$ 400,766
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	2,903,004	3,003,590
Provision for losses on receivables	9,258	6,971
Amortization of bond issue costs	-	101,345
Amortization of discount/premium on issuance of bonds	-	(53,493)
(Gain) loss on disposals of property and equipment	(86,139)	45,825
Noncash operating lease expense	621,334	689,367
Changes in		
Membership assessments receivable	(76,665)	(9,729)
Water utilities and other receivables	144,496	(4,630)
Inventories	(128,897)	(284,967)
Prepaid expenses	34,549	(165,548)
Member lots held for sale	(10,927)	(24,731)
Accounts payable	(703,897)	1,360,317
Accrued expenses	254,619	329,002
Operating lease liabilities	(621,715)	(689,748)
Members' deposits and prepayments	28,138	23,665
Contract liabilities	(483,984)	(96,049)
Net cash provided by operating activities	2,705,211	4,631,953
Investing Activities		
Purchases of investments	-	(3,969,685)
Proceeds from sale of investments	4,287,643	-
Purchases of property and equipment	(6,881,669)	(3,438,698)
Proceeds from sale of property and equipment	105,507	16,294
Net cash used in investing activities	(2,488,519)	(7,392,089)
Financing Activities		
Principal payments on notes payable	(91,695)	(3,041,873)
Proceeds from issuance of notes payable	-	2,500,000
Net cash used in financing activities	(91,695)	(541,873)
Increase (Decrease) in Cash	124,997	(3,302,009)
Cash, Beginning of Year	108,365	3,410,374
Cash, End of Year	$ 233,362	$ 108,365
Supplemental Cash Flows Information		
Interest paid	$ 38,235	$ 108,864
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 827,310	$ 199,876

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Bella Vista Property Owners Association (Association) is a nonprofit association formed on May 18, 1965 under the Bella Vista Declarations and Protective Covenants as filed by the Association and Cooper Communities, Inc. (Developer). Membership in the Association is attained by the purchase of certain property within the area known as Bella Vista, Arkansas, and is terminated upon the sale of that property. Lots are platted and sold by the Developer. At December 31, 2023 and 2022, there were 39,091 and 39,070 platted lots, respectively, in the Association subject to annual membership assessments.

The Association owns and operates golf courses, clubhouses, golf pro shops, recreational facilities, lakes, and a recreational vehicle park. The Association provides water services to members of the Association. Sanitation was transferred in prior years to Village Waste Water.

The Bella Vista Declaration and Protective Covenants provide that the Developer may construct water systems, roads and streets (dedicated to the public or as common properties for the use of property owners), lakes, a marina, golf courses, parks, and permanent recreational plots as it deems feasible but has no obligation to construct such facilities. The Developer may convey title to common properties to the Association after construction is completed or at an earlier time should the Developer so desire. Once common property is conveyed to the Association by the Developer, the Association holds and maintains such common property for the benefit and enjoyment of the membership.

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, expenses, gains, losses, and other changes during the reporting period. Actual results could differ from those estimates.

Cash

At December 31, 2023, the Association’s cash accounts exceeded federally insured limits by approximately $26,141.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes interest and realized and unrealized gains and losses on investments carried at fair value.

Uninvested cash and cash equivalents included in investment accounts, including money market mutual funds, are not considered to be cash and cash equivalents. Deposit accounts restricted internally by the Board and/or externally by regulators are not considered to be cash and cash equivalents.

Membership Assessments Receivable

Association members are subject to monthly assessments that provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Membership assessments receivable are stated at the amount of consideration from members, of which the Association has an unconditional right to receive plus any accrued and unpaid interest. Assessment billings are due on the first of each month. Accounts that are unpaid after three months bear interest of 6% per annum.

The allowance for doubtful accounts is based on management's estimate of the overall collectability of assessments receivable based on historical experience. Account balances are charged against the allowance when management forecloses on the lots. Lots are foreclosed when all attempts to collect the past due assessments have proven unsuccessful.

During the years ended December 31, 2023 and 2022, bad debt expense related to doubtful membership assessment receivable, where collectability is not reasonably assured, was $70,778 and $60,532, respectively.

Water Utilities Receivable

Association members receive water services that are provided by the Association. Water utilities receivable are stated at the amount of consideration from members, of which the Association has an unconditional right to receive plus any accrued and unpaid penalties.

The allowance for doubtful accounts is based on management's estimate of the overall collectability of utilities receivable based on historical experience. Accounts are charged against the allowance when deemed uncollectible. Accounts remaining unpaid after the 15th of the month are considered delinquent and are charged a late fee. Accounts remaining unpaid after the 25th of the month are considered past due and are charged a past due penalty. Accounts remaining unpaid five business days after the 25th of the month will be disconnected.

During the years ended December 31, 2023 and 2022, bad debt expense related to doubtful water utilities receivable, where collectability is not reasonably assured, was $11,427 and $6,971, respectively.

Members' Deposits

Members' deposits are generally a deposit for water service.

Inventories

Inventories consist primarily of golf maintenance supplies and merchandise for sale. Costs are determined using average cost methods. Inventories are stated at the lower of cost or net realizable value.

Inventories at December 31 are as follows:

	2023	2022
Golf pro shop	$ 311,969	$ 326,442
Mechanic and maintenance	550,786	394,143
Fuel	20,091	16,466
Food and beverage	106,425	111,968
Paper and office supplies	6,511	17,866
	$ 995,782	$ 866,885

Property and Equipment

Property and equipment acquisitions are stated at cost less accumulated depreciation, if acquired or constructed by the Association, or the Developer's cost, which approximates fair value, if contributed. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	2 to 50 years
Community centers	5 to 40 years
Buildings and building improvements	2 to 40 years
Equipment	2 to 40 years

Common Property

The Association holds title to property consisting of seven golf courses, seven lakes, parks, water distribution equipment, five clubs with food and beverage facilities, as well as various other buildings and equipment. The Association maintains all properties to which title is held.

Long-Lived Asset Impairment

The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized as of December 31, 2023 or 2022.

Self-Insured Health Coverage

The Association elects to self-insure certain costs related to employee health coverage. Costs of coverage resulting from noninsured losses are charged to expense as incurred. The Association purchases insurance that limits its exposure for individual and aggregate claims. Self-insured health coverage is described more fully in Note 11.

Leases

The Association determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease measured on a discounted basis. The Association determines lease classification as operating or finance at the lease commencement date. Finance leases, if applicable, are included in property and equipment, other current liabilities, and other long-term liabilities in the Association's balance sheets.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Association uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Association uses its most recent borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the interest rate on the Association's line of credit corresponding to the lease commencement date.

The lease term is the noncancelable period per the contract. Additionally, the lease term may include options to extend or to terminate the lease that the Association is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Income Taxes

The Association is classified as a tax-exempt association under Internal Revenue Code Section 501(c)(4) and a similar provision of state law. However, the Association is subject to federal income tax on any unrelated business taxable income. The Association has been classified as an association that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The Association files tax-exempt returns in the U.S. federal jurisdiction and the state of Arkansas.

Basis of Presentation

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 972, *Real Estate – Common Interest Realty Associations*, presents recommendations on, and descriptions of, financial accounting and reporting principles and practices for common interest realty associations. The Association's financial statements comply with the applicable provisions of ASC 972.

Basis of Accounting

The Association's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Revenue

Revenue is recognized as the Association satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Association expects to be entitled in exchange for providing goods or services. The Association determines the transaction price based on standard charges for goods and services provided. The Association determines its estimates based upon contractual agreements, its discount policies, and historical experience.

Note 2. Member Lots Held for Sale

Member lots held for sale, amounting to $39,535 and $28,608 at December 31, 2023 and 2022, respectively, consists of lots obtained from property owners through various means including foreclosure as a result of failure by the property owners to pay membership assessments and forfeiture by owners. Amounts consist primarily of costs incurred by the Association to get property deeds in the Association's name to enable the sale of such lots.

Note 3. Investments and Investment Return

Investments at December 31 consisted of the following:

	2023	2022
Money market mutual funds	$ 5,982,184	$ 9,549,827
Money market funds	-	720,000
	$ 5,982,184	$ 10,269,827

Total investment return at December 31 is comprised of the following:

	2023	2022
Interest and dividend income	$ 411,434	$ 142,947
	$ 411,434	$ 142,947

Note 4. Property and Equipment

Property and equipment at December 31 consisted of:

	2023	2022
Equipment	$ 41,926,102	$ 40,926,514
Land improvements	29,957,760	28,795,034
Land	20,312,724	20,310,152
Buildings and building improvements	20,495,200	20,599,730
Community centers	2,390,882	2,390,882
Construction in progress	4,885,036	806,628
	119,967,704	113,828,940
Less accumulated depreciation	62,910,471	60,731,004
	$ 57,057,233	$ 53,097,936

Note 5. Line of Credit

The Association has a $1,000,000 unsecured revolving line of credit expiring May 18, 2024. At December 31, 2023 and 2022, there was $0 borrowed against this line. There were no borrowings or payments of principal or interest on the line during 2023 or 2022. Interest varies with the bank's prime rate, which was 7.50% and 3.25% on December 31, 2023 and 2022, respectively, payable monthly when applicable.

Note 6. Notes Payable

	2023	2022
BVRC loan note payable (A)	$ 2,356,433	$ 2,448,128
Less current maturities	94,537	91,695
	$ 2,261,896	$ 2,356,433

(A) The Association obtained a promissory note with Regions Bank in the amount of $2,500,000 on May 26, 2022 maturing May 26, 2032, with principal and interest payments occurring monthly. The interest rate for the term of the note is 3.24%.

Aggregate annual maturities of long-term debt at December 31, 2023 are:

	Principal	Interest	Total
2024	$ 94,537	$ 76,203	$ 170,740
2025	97,906	72,835	170,741
2026	101,171	69,570	170,741
2027	104,545	66,196	170,741
2028	107,852	62,888	170,740
2029–2032	1,850,422	186,348	2,036,770
Total	$ 2,356,433	$ 534,040	$ 2,890,473

Note 7. Liquidity and Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of December 31, 2023 and 2022, are $7,256,342 and $11,485,150, respectively:

The Association manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Association has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days' operating expenses. The Association has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the Association forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the years ended December 31, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

Note 8. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023				
Money market mutual funds	$ 5,982,184	$ 5,982,184	$ -	$ -
	$ 5,982,184	$ 5,982,184	$ -	$ -
2022				
Money market mutual funds	$ 9,549,827	$ 9,549,827	$ -	$ -
Money market funds	720,000	720,000	-	-
	$ 10,269,827	$ 10,269,827	$ -	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds and money market funds. All investments held by the Association for the year ended December 31, 2023 and 2022 were classified within Level 1 of the valuation hierarchy.

Note 9. Leases

Accounting Policies

The Association determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease measured on a discounted basis. The Association determines lease classification as operating or finance at the lease commencement date. Finance leases, if applicable, are included in property and equipment, other current liabilities, and other long-term liabilities in the Association's balance sheets.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Association uses the implicit rate when readily determinable. As most of the leases do not provide

an implicit rate, the Association uses its most recent borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the interest rate on the Association's line of credit corresponding to the lease commencement date.

The lease term is the noncancelable period per the contract. Additionally, the lease term may include options to extend or to terminate the lease that the Association is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Nature of Leases

The Association has entered into the following lease arrangements:

Operating Leases

The Association leases golf carts, golf course maintenance equipment, office equipment, and a barn that expire in various years through 2027. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Association leases office equipment that expire in various years through 2026. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Association has no material related-party leases. The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended December 31 are as follows:

	2023	2022
Lease cost		
Operating lease cost	$ 621,334	$ 689,367
Total lease cost	$ 621,334	$ 689,367
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 621,334	$ 689,748
Weighted-average remaining lease term		
Operating leases	2.64 years	2.30 years
Weighted-average discount rate		
Operating leases	5.00%	5.00%

Future minimum lease payments and reconciliation to the balance sheet at December 31, 2023 are as follows:

	Operating Leases
2024	$ 496,193
2025	242,983
2026	239,696
2027	56,664
Total future undiscounted lease payments	1,035,536
Less interest	67,205
Lease liabilities	$ 968,331

Note 10. Revenue from Contracts with Members

Member Assessments

Revenue from contracts with members for monthly assessments is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing amenities to the members. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. Generally, the Association bills members monthly.

Water Revenue

Revenue from contracts with members for monthly water service is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing water service to the members. Revenue is recognized as the performance obligations are satisfied based on water usage over time. Generally, the Association bills members monthly.

Golf Cart Rental and Green Fee Revenue

Revenue from contracts with members and customers for use of golf carts and golf course facilities is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing golf carts and golf course facilities to members and customers. Revenue for performance obligations satisfied at a point in time is generally recognized when access to equipment and facilities is provided to customers at a single point in time and the Association does not believe it is required to provide additional goods or services related to that sale.

Other Contract Revenue

Food and Beverage Sales – Performance obligations are determined based on the nature of the goods or services provided by the Association in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers at a single point in time and the Association does not believe it is required to provide additional goods or services related to that sale.

Rental and Lease Revenue – Revenue from contracts for rental of property is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing property to be used. Revenue is recognized as the performance obligations are satisfied.

Property Income – Revenue from contracts with members for sale of property is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for sale of property. Revenue is recognized as the performance obligations are satisfied at a point in time when title passes from the Association to members.

Other Revenue – Performance obligations are determined based on the nature of the goods or services provided by the Association in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Association believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers at a single point in time and the Association does not believe it is required to provide additional goods or services related to that sale.

Transaction Price and Recognition

The Association determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Association's policy and implicit price concessions provided to customers.

The Association has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payment terms
- The Association's line of business that provided the service

For the years ended December 31, 2023 and 2022, the Association recognized revenue of $19,476,256 and $18,211,863, respectively, from goods and services that transfer to the member over time and $17,479,502 and $16,954,623, respectively, from goods and services that transfer to the member at a point in time.

Contract Balances

Contract assets primarily relate to the Association's rights to consideration for services provided but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the Association's obligation to transfer goods or services to a customer when consideration has already been received from the customer.

Significant changes in contract liabilities during the period are as follows:

	2023	2022
Balance, beginning of year	$ 1,317,939	$ 1,413,988
Effects of		
Revenue recognized that was included in the contract liability balance at the beginning of the period	(57,811)	(38,318)
Increases due to cash received, excluding amounts recognized as revenue during the period	(425,242)	(57,070)
Contract modifications	(931)	(661)
Balance, end of year	$ 833,955	$ 1,317,939

The following table provides information about the Association's receivables from contracts with customers:

	2023	2022
Membership assessments receivable, net, beginning of year	$ 124,751	$ 115,022
Membership assessments receivable, net, end of year	$ 191,170	$ 124,751
Water utilities receivable, net, beginning of year	$ 668,030	$ 661,122
Water utilities receivable, net, end of year	$ 692,521	$ 668,030
Other receivable, net, beginning of year	$ 285,569	$ 294,818
Other receivable, net, end of year	$ 117,570	$ 285,569

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the Association has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to assessments and membership dues. The performance obligations for these contracts are generally completed over time.

During the years ended December 31, 2023 and 2022, the Association recognized revenue of $1,317,939 and $1,413,988, respectively, that was recognized as contract liabilities at the beginning of the year.

Significant Judgments

The Association determines the transaction price based on standard charges for goods and services provided, discounts provided in accordance with the Association's policy, and implicit price concessions provided to customers. The Association determines its estimates of explicit price concessions based on contractual agreements and its discount policies. The Association determines its estimate of implicit price concessions based on its historical collection experience with each class of customers.

Contract Liabilities

Contract liabilities consist primarily of assessments and membership dues paid in advance.

Note 11. Employee Benefit Plans

Self-Insured Medical Plan

The Association offers employee group health and medical insurance through a self-insured plan. Under the group health and medical self-insurance plan, the Association is responsible for annual claims up to $75,000 per participant per claim. The Association's aggregate annual loss limitation is based on a formula that considers, among other things, the total number of employees. Further, the Association has purchased reinsurance for claims in excess of this amount. For the years ended December 31, 2023 and 2022, expense incurred under this plan was $1,145,289 and $1,791,060, respectively.

An accrual for losses expected under this program is recorded based upon the Association's estimates of aggregate liability for claims incurred. At December 31, 2023 and 2022, the provision for loss was $245,617 and $255,236, respectively. The amount of actual losses incurred could differ materially from the estimates reflected in these financial statements.

Defined Contribution Retirement Plan

The Association has a defined contribution retirement plan covering substantially all full-time employees. The Association's matching contributions are limited to 6% of total compensation paid to participants during the plan year. Matching contributions made by the Association were $593,066 and $416,306 for the years ended December 31, 2023 and 2022, respectively.

Note 12. Commitments and Contingencies

The Association had the University of Arkansas perform a study to determine the estimated cost to perform necessary upgrades and maintenance on the water system through the year 2028. Based on this study, no additional funding is required at this time.

Note 13. Future Major Repairs and Replacements

The Association's governing documents do not require funds to be accumulated specifically for future major repair and replacement needs. Maintenance and repairs are funded through membership assessments and various usage fees. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments and pass special assessments. The Association may also utilize existing funds, borrow to finance expenditures, or delay major repairs and replacements until funds are available. During 2023 and 2022, no assessments were made specifically for major repairs and replacements.

With the exception of water services, a study to determine the remaining useful lives of the components of common property or estimated costs of future major repairs and replacements has not been completed.

Note 14. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Major Water Suppliers

During the years ended December 31, 2023 and 2022, the Association purchased water from two unrelated suppliers. The suppliers provided 91% and 9% of the Association's water in 2023 and 2022.

General Litigation

The Association is subject to claims and lawsuits that arose primarily in the ordinary course of business. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations, and cash flows of the Association. Events could occur that would change this estimate materially in the near term.

Note 15. Subsequent Events

Subsequent events have been evaluated through April 26, 2024, which is the date the financial statements were issued.