

Bald Head Island Limited, LLC - Parking Department

Financial Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
Bald Head Island Limited, LLC - Parking Department

Opinion

We have audited the statements of revenues and direct expenses of Bald Head Island Limited, LLC - Parking Department (the Department) for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC - Parking Department for the years ended December 31, 2021 and 2020, 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 Department 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 Department's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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 Department'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 Department'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.

RSM US LLP

Wilmington, North Carolina
June 24, 2022

Bald Head Island Limited, LLC - Parking Department

**Statements of Revenues and Direct Expenses
Years Ended December 31, 2021 and 2020**

	2021	2020
Revenues:		
Parking revenues	\$ 3,887,105	\$ 3,210,685
Parking revenues - affiliates	89,342	101,341
Total operating revenues	3,976,447	3,312,026
Direct expenses:		
Salaries and wages	262,921	267,569
Rent	3,805	6,546
Fuel	300	235
Repairs and maintenance	25,465	27,236
Marina expenses	171,800	182,013
Employee benefits	28,012	33,172
Payroll taxes	18,394	18,820
Transportation	589	161
Parking	10,362	2,746
Operating supplies and expenses	33,529	9,541
Communications and utilities	14,891	12,405
Insurance	14,895	10,696
Taxes and licenses	26,786	32,901
Credit card	152,829	66,649
Depreciation	695,929	680,467
Other	29,986	6,787
Total direct expenses	1,490,493	1,357,944
Net revenues in excess of direct expenses	\$ 2,485,954	\$ 1,954,082

See notes to financial statements.

Bald Head Island Limited, LLC - Parking Department

Note to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of business and ownership: Bald Head Island Limited, LLC - Parking Department (the Department) is a part of Bald Head Island Limited, LLC (the Company). The Department operates the Deep Point parking facilities for the Company. The Department conducts business in Southeastern North Carolina.

Property and equipment: Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years.

Impairment: At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

Revenue recognition: The Department's revenue is derived primarily from sales of tickets for use of the Department's parking lot locations. The Department recognized revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Performance obligations are satisfied at a point in time when tickets are used by customers and related expenses are recognized as incurred.

The Company offers annual passes for use of the Company's parking lot locations. Annual passes are only valid for the calendar year in which they are purchased and are recognized into revenue ratably over the life of the pass.

Parking revenues from affiliates consist of charges to other departments within and subsidiaries of the Company that utilize the parking facilities based on established monthly market rates and the number of employees parking.

Direct expenses: Direct expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department direct expenses. The Company does not charge the Department rent for the parking lot land; therefore, land rental is excluded from Department direct expenses.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Bald Head Island Limited, LLC - Parking Department

Note to Financial Statements

Note 2. Asset Purchase Agreement

On May 17, 2022, the Company, entered into an asset purchase agreement to sell substantially all of the assets of the Company, including the Department, to SharpVue Capital, LLC, subject to certain closing conditions. The agreement calls for a purchase price of \$67,200,000. The purchase price allocation was not available at the time of financial statement issuance.