

Bald Head Island Limited, LLC – Barge Department

Financial Report
December 31, 2016

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Bald Head Island Limited, LLC – Barge Department

Report on the Financial Statement

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department (the Department) for the years ended December 31, 2016, 2015 and 2014, and the related notes (the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2016, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Wilmington, North Carolina
December 22, 2017

THE POWER OF BEING UNDERSTOOD
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Bald Head Island Limited, LLC – Barge Department

Statements of Revenues and Direct Expenses
Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
Revenues:			
Barge revenues	\$ 840,935	\$ 699,950	\$ 578,630
Barge revenues – affiliates	108,750	109,400	116,645
Total operating revenues	949,685	809,350	695,275
Direct expenses:			
Salaries and wages	123,551	116,323	109,299
Rent	400	23,150	71,200
Fuel	51,746	55,429	74,015
Repairs and maintenance	12,303	23,447	33,090
Marina expenses	1,493	1,382	1,187
Employee benefits	11,747	10,173	8,920
Payroll taxes	10,756	11,317	10,664
Transportation	516	189	149
Parking	1,575	1,750	1,531
Dredging	500	-	13,624
Operating supplies and expenses	4,832	6,767	6,062
Communications and utilities	2,610	1,701	2,247
Insurance	22,936	22,131	26,965
Taxes and licenses	13,282	5,111	7,283
Advertising	-	91	-
Professional fees	-	-	53
Credit card	9,774	8,155	6,921
Depreciation	44,419	69,979	67,719
Other	1,119	1,222	200
Total direct expenses	313,559	358,317	441,129
Net revenues in excess of direct expenses	\$ 636,126	\$ 451,033	\$ 254,146

See notes to financial statements.

Bald Head Island Limited, LLC – Barge Department**Notes to Financial Statements**

Note 1. Summary of Significant Accounting Policies

Nature of business and ownership: Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department is a non-regulated department that operates a tug boat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, 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 3 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 and expense recognition: Barge revenues are recognized when tickets are sold to customers and related expenses are recognized as incurred. Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Barge Department. Company overhead, including support services within Bald Head Island Limited, LLC, are not allocated among Company departments and are excluded from Barge Department operating 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.

Subsequent events: Management has evaluated potential subsequent events through December 22, 2017, which is the date the financial statements were available to be issued. Prior to year end, the Bald Head Island Limited, LLC entered into a contract to build a new Coast Guard SubChapter M certification compliant tug. The new tug, Captain Cooper, was delivered subsequent to year end and put in operation August 12, 2017 at a cost of \$1,603,707.

Bald Head Island Limited, LLC – Barge Department

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December 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Bald Head Island Limited, LLC – Barge Department

Report on the Financial Statement

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department (the Department) for the years ended December 31, 2017 and 2016, and the related notes (the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2017 and 2016, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Wilmington, North Carolina
June 18, 2018

THE POWER OF BEING UNDERSTOOD
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Bald Head Island Limited, LLC – Barge Department

Statements of Revenues and Direct Expenses
Years Ended December 31, 2017 and 2016

	2017	2016
Revenues:		
Barge revenues	\$ 989,775	\$ 840,935
Barge revenues – affiliates	142,925	108,750
Total operating revenues	1,132,700	949,685
Direct expenses:		
Salaries and wages	131,563	123,551
Rent	-	400
Fuel	57,772	51,746
Repairs and maintenance	54,433	12,303
Marina expenses	1,539	1,493
Employee benefits	15,939	11,747
Payroll taxes	10,542	10,756
Transportation	352	516
Parking	1,575	1,575
Dredging	-	500
Operating supplies and expenses	8,769	4,832
Communications and utilities	2,412	2,610
Insurance	34,523	22,936
Taxes and licenses	21,764	13,282
Credit card	11,689	9,774
Depreciation	107,721	44,419
Other	655	1,119
Total direct expenses	461,248	313,559
Net revenues in excess of direct expenses	\$ 671,452	\$ 636,126

See notes to financial statements.

Bald Head Island Limited, LLC – Barge Department**Notes to Financial Statements**

Note 1. Summary of Significant Accounting Policies

Nature of business and ownership: Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tug boat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, 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 3 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 and expense recognition: Barge revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Barge Department. Company overhead, including support services within Bald Head Island Limited, LLC, are not allocated among Company departments and are excluded from Barge Department operating 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.

Subsequent events: Management has evaluated potential subsequent events through June 18, 2018, which is the date the financial statements were available to be issued.

Bald Head Island Limited, LLC – Barge Department

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Independent Auditor's Report

RSM US LLP

To the Board of Directors
Bald Head Island Limited, LLC – Barge Department

Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2018 and 2017, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Wilmington, North Carolina
May 14, 2019

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Bald Head Island Limited, LLC – Barge Department

Statements of Revenues and Direct Expenses
Years Ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Barge revenues	\$ 1,034,380	\$ 989,775
Barge revenues – affiliates	119,525	142,925
Total operating revenues	1,153,905	1,132,700
Direct expenses:		
Salaries and wages	139,078	131,563
Rent	700	-
Fuel	67,717	57,772
Repairs and maintenance	56,440	54,433
Marina expenses	1,632	1,539
Employee benefits	15,069	15,939
Payroll taxes	10,055	10,542
Transportation	167	352
Parking	1,444	1,575
Professional fees	68	-
Operating supplies and expenses	6,542	8,769
Communications and utilities	7,833	2,412
Insurance	53,907	34,523
Taxes and licenses	24,122	21,764
Credit card	17,557	11,689
Depreciation	201,320	107,721
Other	(5,477)	655
Total direct expenses	598,174	461,248
Net revenues in excess of direct expenses	\$ 555,731	\$ 671,452

See notes to financial statements.

Bald Head Island Limited, LLC – Barge Department**Note to Financial Statements**

Note 1. Summary of Significant Accounting Policies

Nature of business and ownership: Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, 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 3 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 and expense recognition: Barge revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating 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 operating 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.

Subsequent events: Management has evaluated potential subsequent events through May 14, 2019, which is the date the financial statements were available to be issued.

Bald Head Island Limited, LLC – Barge Department

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December 31, 2019

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Independent Auditor's Report

RSM US LLP

Board of Directors
Bald Head Island Limited, LLC – Barge Department

Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Wilmington, North Carolina
May 12, 2020

THE POWER OF BEING UNDERSTOOD
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Bald Head Island Limited, LLC – Barge Department**Statements of Revenues and Direct Expenses
Years Ended December 31, 2019 and 2018**

	2019	2018
Revenues:		
Barge revenues	\$ 1,373,600	\$ 1,034,380
Barge revenues – affiliates	125,815	119,525
Total operating revenues	1,499,415	1,153,905
Direct expenses:		
Salaries and wages	177,757	139,078
Rent	-	700
Fuel	72,205	67,717
Repairs and maintenance	57,805	56,440
Marina expenses	1,158	1,632
Employee benefits	17,977	15,069
Payroll taxes	12,436	10,055
Transportation	88	167
Parking	1,444	1,444
Professional fees	250	68
Operating supplies and expenses	8,592	6,542
Communications and utilities	6,820	7,833
Insurance	44,972	53,907
Taxes and licenses	27,762	24,122
Credit card	27,660	17,557
Depreciation	227,110	201,320
Other	1,725	(5,477)
Total direct expenses	685,761	598,174
Net revenues in excess of direct expenses	\$ 813,654	\$ 555,731

See notes to financial statements.

Bald Head Island Limited, LLC – Barge Department**Note to Financial Statements**

Note 1. Summary of Significant Accounting Policies

Nature of business and ownership: Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, 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 3 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 and expense recognition: The Company's revenue is derived primarily from sales of tickets for barge services. The Company recognized revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers are 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.

Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating 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 operating 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.

Subsequent events: Management has evaluated potential subsequent events through May 12, 2020, which is the date the financial statements were available to be issued.

Bald Head Island Limited, LLC – Barge Department**Note to Financial Statements**

Note 1. Summary of Significant Accounting Policies (Continued)

Adopted accounting pronouncement: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The Company adopted this ASU during the year ended December 31, 2019, and applied a modified retrospective approach. The adoption of this standard did not result in a change to beginning retained earnings.

Note 2. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020 NC Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020 the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. The barge operation is an essential business and has continued to provide service between Southport and Bald Head Island. While the barge has continued to operate its customer base, to include retail shops, grocery store, construction, membership clubs, etc. operations have been adversely affected. Management is aware of changes in its business as a result of COVID-19 but it is too early to fully know the impact of those changes on its financial position. Management believes there will be some disruption to the barge operation; however, there is an uncertainty around when dependent services may resume normal operations. The Company will continue to monitor and take guidance from the Governor's office, the Village of Bald Head Island, the City of Southport and the Coast Guard.

Bald Head Island Limited, LLC – Barge Department

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December 31, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
Bald Head Island Limited, LLC – Barge Department

Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2020 and 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Wilmington, North Carolina
October 22, 2021

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Bald Head Island Limited, LLC – Barge Department

Statements of Revenues and Direct Expenses
Years Ended December 31, 2020 and 2019

	2020	2019
Revenues:		
Barge revenues	\$ 1,175,450	\$ 1,373,600
Barge revenues – affiliates	147,565	125,815
Total operating revenues	1,323,015	1,499,415
Direct expenses:		
Salaries and wages	187,915	177,757
Fuel	48,355	72,205
Repairs and maintenance	48,557	57,805
Marina expenses	1,200	1,158
Employee benefits	21,045	17,977
Payroll taxes	12,101	12,436
Transportation	-	88
Parking	1,800	1,444
Professional fees	-	250
Operating supplies and expenses	3,232	8,592
Communications and utilities	7,261	6,820
Insurance	56,125	44,972
Taxes and licenses	27,138	27,762
Credit card	24,211	27,660
Depreciation	251,179	227,110
Other	1,407	1,725
Total direct expenses	691,526	685,761
Net revenues in excess of direct expenses	\$ 631,489	\$ 813,654

See notes to financial statements.

Bald Head Island Limited, LLC – Barge Department**Note to Financial Statements**

Note 1. Summary of Significant Accounting Policies

Nature of business and ownership: Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, 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 3 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 and expense recognition: The Department's revenue is derived primarily from sales of tickets for barge services. The Department recognized revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers are 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.

Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating 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 operating 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.

Subsequent events: Management has evaluated potential subsequent events through October 10, 2021, which is the date the financial statements were available to be issued.

Bald Head Island Limited, LLC – Barge Department

Note to Financial Statements

Note 2. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020, North Carolina Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020, the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island (Island) to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. The barge operation is an essential business and has continued to provide service between Southport, North Carolina and Bald Head Island. The barge has continued to serve its customer base, to include retail shops, grocery store, construction, membership clubs, etc., and operations have been minimally affected. Management has continued to operate in compliance with the Governor's Executive Orders, and are aware of the current business challenges as a result of COVID-19. The Company will continue to monitor and follow guidance from the Governor's office, the Village of Bald Head Island, the City of Southport and the U.S. Coast Guard.

Bald Head Island Limited, LLC - Barge Department

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December 31, 2021

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RSM US LLP

Independent Auditor's Report

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

Opinion

We have audited the statements of revenues and direct expenses of Bald Head Island Limited, LLC - Barge 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 - Barge 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.

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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 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 - Barge Department

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

	2021	2020
Revenues:		
Barge revenues	\$ 1,381,425	\$ 1,175,450
Barge revenues - affiliates	153,770	147,565
Total operating revenues	1,535,195	1,323,015
Direct expenses:		
Salaries and wages	192,879	187,915
Fuel	74,345	48,355
Repairs and maintenance	24,667	48,557
Marina expenses	1,550	1,200
Employee benefits	12,366	21,045
Payroll taxes	11,198	12,101
Transportation	292	-
Parking	1,850	1,800
Operating supplies and expenses	11,443	3,232
Communications and utilities	8,202	7,261
Insurance	65,071	56,125
Taxes and licenses	20,522	27,138
Credit card	29,398	24,211
Depreciation	221,693	251,179
Other	39,437	1,407
Total direct expenses	714,913	691,526
Net revenues in excess of direct expenses	\$ 820,282	\$ 631,489

See notes to financial statements.

Bald Head Island Limited, LLC - Barge Department**Note to Financial Statements**

Note 1. Summary of Significant Accounting Policies

Nature of business and ownership: Bald Head Island Limited, LLC - Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, 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 2 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 and expense recognition: The Department's revenue is derived primarily from sales of tickets for barge services. 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.

Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating 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 operating 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.

Note 2. Subsequent Event

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.