

Bald Head Island Limited, LLC – Parking Department

Financial Report
December 31, 2016

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Independent Auditor's Report

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

RSM US LLP

Report on the Financial Statement

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking 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 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 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 qualified audit opinion.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the Department's stated parking revenue for the year ended December 31, 2014, because the Department disposed of its daily parking records in accordance with its 18 month retention policy. Consequently, we were unable to audit this balance.

Qualified Opinion

In our opinion, except for the effects on the 2014 financial statement of the matter described in the Basis for Qualified Opinion paragraph, the 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, 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 – Parking Department

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

	2016	2015	2014
Revenues:			
Parking revenues	\$ 2,216,746	\$ 2,173,904	\$ 2,080,744
Parking revenues – affiliates	113,368	125,759	133,933
Total operating revenues	2,330,114	2,299,663	2,214,677
Direct expenses:			
Salaries and wages	150,583	141,506	131,432
Rent	-	-	1,206
Fuel	802	698	854
Repairs and maintenance	11,731	26,498	34,745
Marina expenses	183,540	174,585	158,872
Employee benefits	23,259	20,507	15,669
Payroll taxes	14,877	15,641	15,782
Transportation	355	593	332
Operating supplies and expenses	16,782	11,399	10,185
Communications and utilities	12,442	15,831	21,646
Insurance	4,357	4,316	4,253
Taxes and licenses	30,968	32,386	16,810
Professional fees	250	-	-
Credit card	41,237	39,591	36,503
Depreciation	638,496	637,196	634,632
Other	6,923	1,258	9,501
Total direct expenses	1,136,602	1,122,005	1,092,422
Net revenues in excess of direct expenses	\$ 1,193,512	\$ 1,177,658	\$ 1,122,255

See notes to financial statements.

Bald Head Island Limited, LLC – Parking Department**Notes 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 all parking facilities related to the operations of 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: Parking revenues are recognized when tickets are sold to customers and related expenses are recognized as incurred. 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 Parking Department. Company overhead, including support services within Bald Head Island Limited, LLC are not allocated among Company departments and are excluded from Parking Department direct expenses. The Company does not charge the Department rent for the parking lot land such there is no land rental included in the Parking 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.

Subsequent events: Management has evaluated potential subsequent events through December 22, 2017, which is the date the financial statements were available to be issued. Subsequent to year end, the Parking Department finalized a software conversion to ParkingSoft and completed an equipment upgrade. The new parking platform went in operation January 26, 2017 at a cost of \$207,280. Upon completion, the total conversion is expected to cost \$232,000.

**Bald Head Island Limited, LLC
– Parking Department**

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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statement

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking 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 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 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 – Parking 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 – Parking Department

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

	2017	2016
Revenues:		
Parking revenues	\$ 2,375,620	\$ 2,216,746
Parking revenues – affiliates	118,094	117,432
Total operating revenues	2,493,714	2,334,178
Direct expenses:		
Salaries and wages	160,404	150,583
Rent	1,689	-
Fuel	479	802
Repairs and maintenance	13,437	11,731
Marina expenses	192,985	183,540
Employee benefits	20,200	23,259
Payroll taxes	14,339	14,877
Transportation	326	355
Parking	5,951	4,064
Operating supplies and expenses	14,139	16,782
Communications and utilities	11,891	12,442
Insurance	4,563	4,357
Taxes and licenses	32,920	30,968
Professional fees	-	250
Credit card	44,242	41,237
Depreciation	677,387	638,496
Other	10,306	6,923
Total direct expenses	1,205,258	1,140,666
Net revenues in excess of direct expenses	\$ 1,288,456	\$ 1,193,512

See notes to financial statements.

Bald Head Island Limited, LLC – Parking Department**Notes 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: Parking revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. 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 Parking Department. Company overhead, including support services within Bald Head Island Limited, LLC, are not allocated among Company departments and are excluded from Parking Department direct expenses. The Company does not charge the Department rent for the parking lot land such there is no land rental included in the Parking 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.

Reclassification: Certain amounts presented in the statement of revenues and direct expenses for the year ended December 31, 2016 have been reclassified, as necessary, to be consistent with the 2017 presentation. The reclassification had no effect on net revenues in excess of direct expenses.

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
– Parking Department**

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Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking 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 – Parking 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 – Parking Department

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

	2018	2017
Revenues:		
Parking revenues	\$ 2,402,093	\$ 2,375,620
Parking revenues – affiliates	146,484	118,094
Total operating revenues	2,548,577	2,493,714
Direct expenses:		
Salaries and wages	169,496	160,404
Rent	2,533	1,689
Fuel	531	479
Repairs and maintenance	33,245	13,437
Marina expenses	187,217	192,985
Employee benefits	23,953	20,200
Payroll taxes	13,532	14,339
Transportation	376	326
Parking	5,547	5,951
Operating supplies and expenses	12,074	14,139
Communications and utilities	10,582	11,891
Insurance	9,037	4,563
Taxes and licenses	34,149	32,920
Credit card	49,970	44,242
Depreciation	677,794	677,387
Other	2,200	10,306
Total direct expenses	1,232,236	1,205,258
Net revenues in excess of direct expenses	\$ 1,316,341	\$ 1,288,456

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: Parking revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. 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.

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
– Parking 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 – Parking Department

Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking 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.

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 – Parking 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 – Parking Department

Statements of Revenues and Direct Expenses
Years Ended December 31, 2019 and 2018

	2019	2018
Revenues:		
Parking revenues	\$ 2,635,329	\$ 2,402,093
Parking revenues – affiliates	114,371	146,484
Total operating revenues	2,749,700	2,548,577
Direct expenses:		
Salaries and wages	205,259	169,496
Rent	4,738	2,533
Fuel	356	531
Repairs and maintenance	14,562	33,245
Marina expenses	183,315	187,217
Employee benefits	27,935	23,953
Payroll taxes	15,578	13,532
Transportation	803	376
Parking	6,765	5,547
Operating supplies and expenses	15,826	12,074
Communications and utilities	11,719	10,582
Insurance	6,891	9,037
Taxes and licenses	33,315	34,149
Credit card	55,660	49,970
Depreciation	680,538	677,794
Other	13,200	2,200
Total direct expenses	1,276,460	1,232,236
Net revenues in excess of direct expenses	\$ 1,473,240	\$ 1,316,341

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 Company's revenue is derived primarily from sales of tickets for use of the Company's parking lot locations. 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.

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 amortized 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.

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 – Parking 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. As visitation to Bald Head Island decreased, the parking operation saw some reduction in parking demand. 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 the disruption could be temporary; however, there is an uncertainty around when service may resume normal operations and the Company will continue to monitor and take guidance from the Governor's office and the City of Southport.

**Bald Head Island Limited, LLC
– Parking Department**

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Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking 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 – Parking 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 – Parking Department

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

	2020	2019
Revenues:		
Parking revenues	\$ 3,210,685	\$ 2,635,329
Parking revenues – affiliates	101,341	114,371
Total operating revenues	3,312,026	2,749,700
Direct expenses:		
Salaries and wages	267,569	205,259
Rent	6,546	4,738
Fuel	235	356
Repairs and maintenance	27,236	14,562
Marina expenses	182,013	183,315
Employee benefits	33,172	27,935
Payroll taxes	18,820	15,578
Transportation	161	803
Parking	2,746	6,765
Operating supplies and expenses	9,541	15,826
Communications and utilities	12,405	11,719
Insurance	10,696	6,891
Taxes and licenses	32,901	33,315
Credit card	66,649	55,660
Depreciation	680,467	680,538
Other	6,787	13,200
Total direct expenses	1,357,944	1,276,460
Net revenues in excess of direct expenses	\$ 1,954,082	\$ 1,473,240

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 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.

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.

Subsequent events: Management has evaluated potential subsequent events through October 22, 2021, which is the date the financial statements were available to be issued

Bald Head Island Limited, LLC – Parking 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 (Island) declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. As visitation to Bald Head Island decreased, the parking operation saw a reduction in parking demand. Management is aware of changes in the 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 the disruption could be temporary as visitors tend to be staying longer on the Island; however, there is uncertainty around when service may resume normal operations. The Company will continue to follow guidance from the Governor's office and the City of Southport.

**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.

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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 - 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.