



AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

YEARS ENDED
MARCH 31, 2021 AND 2020

THE LAKESIDE ASSOCIATION AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Lakeside Association and Affiliates
Lakeside, Ohio

Opinion

We have audited the accompanying consolidated financial statements of The Lakeside Association and Affiliates (an Ohio nonprofit organization), which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assts, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Lakeside Association and Affiliates (the Association) as of March 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Barnes Wendling CPAs

Sandusky, Ohio
October 14, 2021

THE LAKESIDE ASSOCIATION AND AFFILIATES

Consolidated Statements of Financial Position

	March 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,609,686	\$ 2,000,069
Accounts receivable, net	330,863	426,010
Current portion of pledges receivable	-0-	30,678
Supplies inventory	10,240	4,644
Prepaid expenses	37,222	213,545
TOTAL CURRENT ASSETS	2,988,011	2,674,946
Property and Equipment		
Land and land improvements	11,910,718	11,616,443
Buildings and fixed equipment	16,432,094	15,699,745
Equipment	4,381,036	4,190,167
Construction in progress	571,076	891,069
	<u>33,294,924</u>	<u>32,397,424</u>
Less accumulated depreciation	<u>19,149,548</u>	<u>18,227,750</u>
	<u>14,145,376</u>	<u>14,169,674</u>
Other Assets		
Fiduciary investments	273,173	226,069
Endowment investments	9,329,484	6,509,976
Association investments	749,748	680,303
Other assets	26,168	26,168
Goodwill, net	10,000	20,000
	<u>10,388,573</u>	<u>7,462,516</u>
TOTAL ASSETS	<u>\$ 27,521,960</u>	<u>\$ 24,307,136</u>

See Notes to Consolidated Financial Statements

	March 31,	
	2021	2020
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 203,952	\$ 400,629
Accrued salaries and wages	195,345	186,943
Deferred revenue	483,287	702,699
Accrued expenses	-0-	4,950
Lines of credit	308,835	1,483,835
Current portion of notes payable	84,854	73,018
Current portion paycheck protection program loan	146,323	-0-
Current portion of obligations under annuity agreements	7,182	7,652
TOTAL CURRENT LIABILITIES	1,429,778	2,859,726
Long-Term Liabilities		
Notes payable, less current portion	1,022,412	1,059,548
Paycheck protection program loan, less current portion	493,087	-0-
Obligations under annuity agreements, less current portion	24,133	23,663
	<u>1,539,632</u>	<u>1,083,211</u>
TOTAL LIABILITIES	2,969,410	3,942,937
Net Assets		
Without donor restriction		
Undesignated	14,547,160	13,042,278
Designated by the Board for endowment	2,713,228	1,928,030
Regulatory-restricted endowment funds	81,285	71,986
With donor restriction		
Development fund	434,048	617,191
Fiduciary fund	241,858	194,754
Endowment funds	6,534,971	4,509,960
TOTAL NET ASSETS	24,552,550	20,364,199
TOTAL LIABILITIES AND NET ASSETS	\$ 27,521,960	\$ 24,307,136

THE LAKESIDE ASSOCIATION AND AFFILIATES

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended March 31, 2021		
	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND OTHER SUPPORT			
Program revenue			
Chautauqua	\$ 5,245,448		\$ 5,245,448
Realty, net	435,735		435,735
Memorial Garden - burial fees	23,750		23,750
	<u>5,704,933</u>	<u>\$ -0-</u>	<u>5,704,933</u>
Support			
Contributions and bequests	1,557,377	256,579	1,813,956
Investment income, net	931,612	2,096,101	3,027,713
Change in annuity agreements, net		(7,020)	(7,020)
	<u>2,488,989</u>	<u>2,345,660</u>	<u>4,834,649</u>
Total revenue and support	<u>8,193,922</u>	<u>2,345,660</u>	<u>10,539,582</u>
Endowment appropriation	185,238	(185,238)	-0-
Net assets released from restrictions	<u>271,450</u>	<u>(271,450)</u>	<u>-0-</u>
Total revenue and other support	<u>8,650,610</u>	<u>1,888,972</u>	<u>10,539,582</u>
EXPENSES			
Program			
Chautauqua	4,999,377		4,999,377
Realty	426,621		426,621
Memorial Garden	56,298		56,298
	<u>5,482,296</u>	<u>-0-</u>	<u>5,482,296</u>
General and administrative	1,597,636		1,597,636
Fundraising	<u>215,616</u>		<u>215,616</u>
Total expenses	<u>7,295,548</u>	<u>-0-</u>	<u>7,295,548</u>
OTHER INCOME (EXPENSES)			
Other income	281,643		281,643
Paycheck protection program loan forgiveness	652,300		652,300
Gain on disposal of property and equipment	10,374		10,374
Total other income	<u>944,317</u>	<u>-0-</u>	<u>944,317</u>
Changes in net assets	2,299,379	1,888,972	4,188,351
Net assets, beginning of year	<u>15,042,294</u>	<u>5,321,905</u>	<u>20,364,199</u>
NET ASSETS, end of year	<u>\$17,341,673</u>	<u>\$ 7,210,877</u>	<u>\$24,552,550</u>

See Notes to Consolidated Financial Statements

	Year Ended March 31, 2020		
	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND OTHER SUPPORT			
Program revenue			
Chautauqua	\$ 7,602,428		\$ 7,602,428
Realty, net	638,956		638,956
Memorial Garden - burial fees	28,500		28,500
	<u>8,269,884</u>	<u>\$ -0-</u>	<u>8,269,884</u>
Support			
Contributions and bequests	869,089	775,786	1,644,875
Investment loss, net	(168,537)	(447,118)	(615,655)
Change in annuity agreements, net		(7,652)	(7,652)
	<u>700,552</u>	<u>321,016</u>	<u>1,021,568</u>
Total revenue and support	8,970,436	321,016	9,291,452
Endowment appropriation	186,970	(186,970)	-0-
Net assets released from restrictions	1,358,893	(1,358,893)	-0-
Total revenue and other support	<u>10,516,299</u>	<u>(1,224,847)</u>	<u>9,291,452</u>
EXPENSES			
Program			
Chautauqua	6,712,796		6,712,796
Realty	504,944		504,944
Memorial Garden	64,442		64,442
	<u>7,282,182</u>	<u>-0-</u>	<u>7,282,182</u>
General and administrative	1,897,102		1,897,102
Fundraising	291,442		291,442
Total expenses	<u>9,470,726</u>	<u>-0-</u>	<u>9,470,726</u>
Changes in net assets	1,045,573	(1,224,847)	(179,274)
Net assets, beginning of year	<u>13,996,721</u>	<u>6,546,752</u>	<u>20,543,473</u>
NET ASSETS, end of year	<u>\$15,042,294</u>	<u>\$5,321,905</u>	<u>\$20,364,199</u>

THE LAKESIDE ASSOCIATION AND AFFILIATES

Consolidated Statements of Functional Expenses

	Year Ended March 31, 2021						
	Program				General and Administrative	Fundraising	Total
	Chautauqua	Realty	Memorial Garden	Total Program			
Salaries and wages	\$ 1,694,163	\$ 238,343	\$ 18,753	\$ 1,951,259	\$ 541,935	\$ 135,200	\$ 2,628,394
Payroll taxes	161,168	12,311		173,479	38,697	9,932	222,108
Employee benefits	275,188	21,180		296,368	165,226	37,761	499,355
Program contracts	360,460	10,662		371,122	7,924		379,046
Supplies	163,823	5,607	237	169,667	35,857	3,322	208,846
Depreciation and amortization	928,799	15,509	26,416	970,724	8,453	6,096	985,273
Utilities, telephone, and rubbish removal	471,087	10,064	4,698	485,849	54,332		540,181
Maintenance and repairs	158,439	47,163	4,873	210,475	11,056	1,562	223,093
Advertising and publications					66,316		66,316
Travel and auto	23,455			23,455	907	3,341	27,703
Food service and lodging	200,815	500		201,315	1,701	200	203,216
Professional fees	885	9,961	25	10,871	330,338	1,568	342,777
Bank charges	721	28,434		29,155	137,511	369	167,035
Insurance	140,415	6,778		147,193	15,340		162,533
Taxes	121,152	2,120		123,272	12,905		136,177
Lease payments	94,889	7,723		102,612	63,643	1,248	167,503
Promotional	80,475			80,475		13,861	94,336
Interest expense	21,748	6,372		28,120	45,983		74,103
Miscellaneous	101,695	3,894	1,296	106,885	59,512	1,156	167,553
Total expenses reported by function	<u>\$ 4,999,377</u>	<u>\$ 426,621</u>	<u>\$ 56,298</u>	<u>\$ 5,482,296</u>	<u>\$ 1,597,636</u>	<u>\$ 215,616</u>	<u>\$ 7,295,548</u>

See Notes to Consolidated Financial Statements

Year Ended March 31, 2020

	Program						Total
	Chautauqua	Realty	Memorial Garden	Total Program	General and Administrative	Fundraising	
Salaries and wages	\$ 1,938,670	\$ 259,144	\$ 17,554	\$ 2,215,368	\$ 589,339	\$ 150,637	\$ 2,955,344
Payroll taxes	188,239	15,538		203,777	53,372	12,429	269,578
Employee benefits	253,962	31,480		285,442	191,918	30,520	507,880
Program contracts	1,280,072	12,655		1,292,727	15,986	6,922	1,315,635
Supplies	300,307	3,983	3	304,293	26,692	5,705	336,690
Depreciation and amortization	850,985	15,509	26,416	892,910	6,831	5,866	905,607
Utilities, telephone, and rubbish removal	497,554	12,017	3,302	512,873	63,761	451	577,085
Maintenance and repairs	356,821	82,660	17,142	456,623	20,415	1,653	478,691
Advertising and publications					117,752		117,752
Travel and auto	49,463			49,463	9,047	19,056	77,566
Food service and lodging	367,626	1,142		368,768	11,351	2,944	383,063
Professional fees	6,052		25	6,077	407,835	2,186	416,098
Bank charges	231	46,759		46,990	192,111		239,101
Insurance	125,242	6,431		131,673	13,628		145,301
Taxes	122,724	1,938		124,662	30,959		155,621
Lease payments	142,092	7,770		149,862	59,469	1,904	211,235
Promotional	112,835			112,835		49,651	162,486
Interest expense		6,982		6,982	61,833		68,815
Miscellaneous	119,921	936		120,857	24,803	1,518	147,178
Total expenses reported by function	<u>\$ 6,712,796</u>	<u>\$ 504,944</u>	<u>\$ 64,442</u>	<u>\$ 7,282,182</u>	<u>\$ 1,897,102</u>	<u>\$ 291,442</u>	<u>\$ 9,470,726</u>

THE LAKESIDE ASSOCIATION AND AFFILIATES

Consolidated Statements of Cash Flows

	Years Ended March 31,	
	2021	2020
Cash Flows From Operating Activities:		
Changes in net assets:	\$ 4,188,351	(\$ 179,274)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	975,273	895,607
Amortization of goodwill	10,000	10,000
Paycheck protection program loan forgiveness income	(652,300)	-0-
Decrease in allowance for doubtful accounts	(979)	(2,390)
Realized/unrealized (gain) loss on investments	(2,893,542)	761,793
Gain on disposal of property and equipment	(10,374)	-0-
Contributions restricted for long-term investment	(168,272)	(186,033)
Change in annuity agreements, net	7,020	7,652
(Increase) decrease in assets:		
Accounts receivable	96,126	(98,097)
Pledges receivable	30,678	700,800
Supplies inventory	(5,596)	1,523
Prepaid expenses	176,323	32,560
Increase (decrease) in liabilities:		
Accounts payable	(196,677)	(47,460)
Accrued salaries and wages	8,402	(24,604)
Deferred revenue	(219,412)	(79,962)
Accrued expenses	(4,950)	(3,550)
Net cash provided by operating activities	1,340,071	1,788,565
Cash Flows From Investing Activities:		
Purchases of property and equipment	(971,918)	(1,481,131)
Insurance proceeds from disposal of building	31,317	-0-
Purchases of investments	(1,067,994)	(1,893,108)
Payments to annuitants	(7,020)	(7,652)
Proceeds from sale of investments	1,025,479	818,798
Net cash used in investing activities	(990,136)	(2,563,093)
Cash Flows From Financing Activities:		
Contributions restricted for long-term investment	168,272	186,033
Proceeds from line of credit	8,622	1,175,000
Proceeds from PPP Loans	1,291,710	-0-
Repayments on line of credit	(1,183,622)	(465,000)
Payments on notes payable	(25,300)	(56,611)
Net cash provided by financing activities	259,682	839,422
Net increase in cash and cash equivalents	609,617	64,894
Cash and cash equivalents at beginning of year	2,000,069	1,935,175
Cash and cash equivalents at end of year	\$ 2,609,686	\$ 2,000,069
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 74,103	\$ 68,815
Income taxes	\$ 7,000	\$ 1,841

See Notes to Consolidated Financial Statements

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Lakeside Association was incorporated in the State of Ohio in 1919 as a not-for-profit association providing religious, educational, cultural, and recreational programs upon the plan or system known as the Chautauqua plan to Lakeside residents and guests. The Lakeside Association generates revenues from the summer programs and charging an assessment to Lakeside homeowners.

Lakeside Chautauqua Realty, LLC (Realty), a wholly owned for-profit subsidiary of the Lakeside Association, provides vacation rental services and real estate sales services.

The Memorial Garden at Chautauqua Park LLC (Memorial Garden), a wholly owned not for profit subsidiary of the Lakeside Association, operates a memorial garden

The Lakeside Chautauqua Foundation (Foundation) is a non-profit organization dedicated to raising and growing charitable giving to support the Lakeside Association in accordance with its mission.

Basis of Accounting

The consolidated financial statements of the Lakeside Association have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Association are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Entities* issued by the American Institute of Certified Public Accountants.

Adoption of Accounting Standards Update

The Association adopted the FASB issued Accounting Standards Update *Updating the Definition of Collections* (ASU), which clarifies the definition of collections and addresses the use or proceeds from sales of collections and related disclosures. The Association adopted the ASU during the year ended March 31, 2021 using a full retrospective method of application. The results of adopting the ASU using the retrospective approach had no impact on the financial position, changes in net assets, cash flows, business processes, controls or systems of the Association. The adoption of the ASU resulted in changes to the disclosure of collections.

Consolidated Financial Statements

The accompanying consolidated financial statements present the consolidated statements of financial position, statements of activities and changes in net assets, functional expenses, and cash flows of The Lakeside Association, its wholly owned subsidiaries Realty and Memorial Garden, and a related not-for-profit, Foundation, collectively, the (Association). All intercompany transactions and balances have been eliminated in the consolidation.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets without Donor Restriction

Net assets not subject to donor imposed restrictions. This includes net asset endowment funds designated by the board of directors, which are subject to the spending policy as further described in Note D. This also includes net assets designated to an endowment in accordance with Ohio Revised Code 1721.21. The Association's regulatory restricted - perpetual care endowment is described in Note N to the consolidated financial statements.

Net Assets with Donor Restriction

Net assets subject to donor imposed restriction, as further described in Note I. Some donor imposed restrictions are temporary in nature, such as those met by passage of time or other events specified by the donor. Donor imposed restrictions temporary in nature are included in the Association's development fund and fiduciary fund. The development fund represents donor-restricted contributions not yet used for the donor specified purpose. The fiduciary fund consists of investments held under charitable remainder gift annuities and charitable remainder unitrusts, net of the present value of the liabilities to the annuitants and trust beneficiaries for future payments. The fiduciary fund net assets are restricted until the death of the annuitant or trust beneficiaries, at which time the remaining trust assets are available to the Association. Other donor imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity, as further described in Note D.

Use of Estimates

The preparation of consolidated 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 disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents exclude any cash or cash equivalents maintained in a professional investment account. The Association's cash balances may exceed the insured amount from time to time.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are generally homeowner assessments requiring payment within 30 days from the invoice date. The carrying amount of accounts receivable is reduced by a valuation allowance reflecting management's best estimate of the amounts not to be collected. Unpaid accounts receivable bear interest of 1.50% per month after 30 days.

Management individually reviews all accounts receivable balances exceeding 60 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance not to be collected. The Association's policy is to place liens on the property of homeowners whose assessments due are more than 60 days delinquent and exceed \$2,000. Accounts are written off when deemed uncollectible. At March 31, 2021 and 2020, the allowance for doubtful accounts was \$7,693 and \$8,672, respectively. Bad debt expense was \$80 and \$7,329, respectively, for the years ended March 31, 2021 and 2020.

Supplies Inventory

Supplies inventory consists of maintenance supplies and is stated at the lower of cost, determined by the first-in, first-out method (FIFO) or net realizable value.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are stated at fair value at the time of the donation. All property and equipment are being depreciated on the straight-line basis over the estimated useful lives of the assets, ranging from five to forty years. The Association's policy is to capitalize assets greater than \$1,000 with a useful life of more than one year. The Association holds legal title to all land within the gates of the Association. Homeowners own the cottages built on the land owned by the Association.

Repairs and maintenance are charged to expense as incurred, whereas the costs of property and equipment additions and improvements are capitalized. Depreciation and amortization expense for the years ended March 31, 2021 and 2020 was \$975,273 and \$895,607, respectively.

Investments

The Association's investments consist of fiduciary investments, endowment investments, and Association investments. Fiduciary investments are investments held under split interest agreements as further described in Note E. Endowment investments are further described in Note D. Association investments are comprised of contributions without donor restriction invested for the purpose of earning investment income on cash intended for future needs.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

The Association evaluates impairment of goodwill whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. The Association amortizes goodwill over 9 years. The cost of the goodwill at March 31, 2021 and 2020 was \$90,000. Accumulated amortization for the years ended March 31, 2021 and 2020 was \$80,000 and \$70,000, respectively. Amortization expense for the years ended March 31, 2021 and 2020 was \$10,000. The annual amortization expense recognized over the next year will be \$10,000.

Deferred Revenue

Deferred revenue represents various deposits received from hotel guests and cottage rentals received in advance of their stay. Deferred revenue also represents burial placement fees received in advance of placing the remains of loved ones in the Memorial Garden.

Revenue Recognition

Program Revenue

Program revenue is recognized as revenue when goods are rendered or services performed. The performance obligation is satisfied upon delivery of the goods or satisfaction of the service requirements. Fees for goods and services received prior to year end for goods not yet rendered or services not yet performed are reported as deferred revenue on the consolidated statements of financial position.

Chautauqua Revenue

Chautauqua revenue consists of the following:

	Years Ended March 31,	
	2021	2020
Admission charges	\$ 2,255,245	\$ 3,816,354
Assessment fees	1,395,429	1,376,273
Facility rentals	291,537	511,053
Hotel accommodations	365,371	958,301
Commercial rental	155,204	175,106
Other programmatic revenue	546,753	765,341
Restaurant	235,909	-0-
	<u>\$ 5,245,448</u>	<u>\$ 7,602,428</u>

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Admission charges: The Association's gates are generally in operation at all entrances to the Association's grounds beginning Memorial Day weekend through Labor Day weekend (the Association's season). Operation of the gates is considered paramount to controlling access to the Association's events and venues and maintaining a safe and secure environment for all during the Association's season. Individuals entering the Association's gates must purchase a pass for entry and a parking pass if a vehicle is being parked inside the Association's gates or in allowable parking locations outside of the Association's gates. Both gate and parking passes may be purchased for a day, multiple days, a partial day, or for the Association's season.

Assessment Fees: The Association's homeowners are subject to annual assessments, which are billed at the end of each calendar quarter, to provide funds for the Association's street and sanitary related expenses and capital repairs. Assessment fees are assessed based on a rate set annually multiplied by the property value of each homeowner, as assessed by the county. The annual set rate for the years ended March 31, 2021 and 2020 was 0.308%. Beginning in the quarter ended September 2019 and ending in the quarter ended December 2020, for a total of six quarters, the annual assessment rate increased to 0.438% to fund engineering work associated with future infrastructure improvements.

Included in billings for assessment fees are fees associated with trash collection. Trash collection fees were \$237 per year per cottage for the years ended March 31, 2021 and 2020. Assessment fee revenue is recognized over the assessment period.

Facility rental, hotel accommodations, other programmatic revenue, and restaurant: Facility rental, hotel accommodations, other programmatic revenue, and restaurant revenue are recognized when the rentals take place, over the period of stay at one of the Association's hotels, programs take place, or food service is provided, respectively.

Commercial rental: Property rental income related to commercial property leases is recognized on an accrual basis over the terms of the related leases on a straight-line basis. Amounts received in advance are recorded as a liability within deferred revenue. Tenant chargebacks and common area maintenance are recognized in the period earned, as further described in Note K.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Realty Revenue

Realty revenue consists of the following:

	Year Ended March 31,	
	2021	2020
Cottage rental revenue, net	\$ 222,565	\$ 380,517
Realty commissions, net	213,170	258,439
	<u>\$ 435,735</u>	<u>\$ 638,956</u>

Cottage rentals: Realty provides vacation rental services to the Association's homeowners who rent their cottages to visitors of the Association. Realty promotes homes available for rent, books reservations, and handles collections of rental fees. The Association's homeowners receive commissions for the rental of their cottage at a rate of 80% of the rental fee. Realty retains 20% of the rental fee. Cottage rental revenue also includes fees charged for cottage maintenance. Cottage rental revenue and owner cottage rental commissions are reported net on the consolidated statements of activities and changes in net assets. Cottage rental revenue and owner cottage rental commissions are recognized when the rentals take place. Cottage rental revenue net of owner cottage rental commissions was:

	Year Ended March 31,	
	2021	2020
Cottage rentals revenue	\$ 747,508	\$ 1,293,626
Owner cottage rentals commissions	(524,943)	(913,109)
Cottage rental revenue, net	<u>\$ 222,565</u>	<u>\$ 380,517</u>

Realty gross commissions: Realty provides real estate sale services inside the Association's gates and in the surrounding areas. Realty pays commissions to real estate agents and brokers upon sale of the real estate based on contractually agreed upon rates. The realty gross commissions and real estate agent and broker commissions are reported net on the consolidated statements of activities. Realty gross commissions and real estate agent and broker commissions are recognized when the real estate sale is complete.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Realty gross commissions (Continued):

Realty gross commission net of real estate agent commissions was:

	Year Ended March 31,	
	2021	2020
Realty gross commissions	\$ 499,460	\$ 586,203
Real estate agent and broker commissions	(286,290)	(327,764)
Realty commissions, net	<u>\$ 213,170</u>	<u>\$ 258,439</u>

Memorial Garden - Burial Fees

Burial fee revenue is recognized as revenue when the ashes of the deceased are placed in Memorial Garden. The performance obligation is satisfied upon satisfaction of the service requirements. Burial fees received prior to year end for services not yet performed are reported as deferred revenue on the consolidated statements of financial position.

Contributions and Bequests

The Association recognizes contributions and bequests in the period in which cash, securities, pledge or grant (unconditional promises to give), or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized as contributions until the conditions on which they depend are met.

Investment income

Investment income includes realized and unrealized gains and losses, and interest and dividends, net of fees.

Donated Services and Materials

The Association receives volunteer services and materials not reportable under accounting principles generally accepted in the United States of America. A substantial number of unpaid volunteers have donated a significant amount of time to the Association's program and fundraising efforts. However, these services are not reflected in the consolidated financial statements because they have not met standards required by accounting principles generally accepted in the United States of America.

Collections

The primary focus of the collection is to maintain, exhibit, interpret, and engage visitors with works of art. Collections acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted funds. Contributions of collection items are not recognized in the consolidated statements of activities.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections (Continued)

Proceeds from deaccessions or insurance recoveries are reflected on the consolidated statements of activities and changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

The Association collection items approved for deaccession may be gifted, traded, or sold to another non-profit organization, discarded, partially discarded, or auctioned. Proceeds from the sale of deaccessioned objects or collections may be used for the expenses incurred in conservation and preservation, re-housing collections, storage, security, collections management, exhibit upgrades and the enhancement of the presentation of interior and exterior of the complex; including signs, authentic interior and exterior details and the creation of a better visitor experience. During the years ended March 31, 2021 and 2020, the Association did not deaccession of any collections for proceeds.

Advertising

Advertising costs are charged to expense in the period the advertising first takes place. Advertising expense was \$66,316 and \$117,752 for the years ended March 31, 2021 and 2020, respectively.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses attributed to more than one program or supporting function. Expenses identified with a specific program or supporting function are recorded directly according to their natural expense classification. Certain expenses relate to more than one function and require allocation on a reasonable basis consistently applied. The expenses allocated include salaries and wages, payroll taxes, employee benefits, depreciation, utilities and rubbish, maintenance and repairs, telephone, and miscellaneous, which are allocated based on an analysis by management of employee time spent within each functional area.

Reclassification

Certain amounts in the March 31, 2020 consolidated financial statements have been reclassified to conform to the March 31, 2021 consolidated financial statement presentation. These reclassifications had no effect on total assets, total liabilities, net assets, or changes in net assets.

Paycheck Protection Program Loan

The Association has elected to account for Paycheck Protection Program Loans using the debt model. Under this method of accounting, the Association recorded loans from its bank as long-term debt with accrued interest until such time as the loan is formally forgiven, at which time the Association records the debt forgiveness as other income.

Other Income

Other income for the year ended March 31, 2021 includes \$281,643 of Ohio Bureau of Workers' Compensation (BWC) dividend income which was provided by the BWC to ease the financial pressures businesses in the State of Ohio are facing due to the COVID-19 pandemic.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through October 14, 2021 which is the date the consolidated financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

The Association regularly monitors the availability of resources required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing programs and support services to be general expenditures. At March 31, 2021 and 2020, the Association also has access to a lines of credit, making \$1,191,165 and \$16,165, respectively, available for immediate cash needs within one year, see Note F for further details.

The Association's board has designated a portion of its resources without donor restriction as a board designated endowment fund. These funds are invested for long-term appreciation and current income but remain available and may be spent for general expenditures at the discretion of the board.

The following table shows financial assets available general expenditures within one year:

	March 31,	
	2021	2020
Cash and cash equivalents	\$ 2,331,457	\$ 1,543,391
Accounts receivable, net	330,863	426,010
Endowment spending rate distributions and appropriations over the next 12 months	299,793	263,573
Association investments	749,748	680,303
	<u>\$ 3,711,861</u>	<u>\$ 2,913,277</u>

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE C - FAIR VALUE MEASUREMENTS

Fair value is defined as the price the Association would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. There is a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Association's financial instruments.

The inputs are summarized in the three broad levels listed below:

Level 1 - quoted prices in active markets for identical assets.

Level 2 - quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - the valuation technique includes one or more inputs that are significant and unobservable (including the Association's own assumptions in determining fair value of the assets).

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The Association's investments are all valued based on level 1 inputs.

The following is a description of the valuation methodologies used to measure the investments at fair value as of March 31, 2021 and 2020. There have been no changes in the methodologies used as of March 31, 2021 and 2020.

Money market funds, equity mutual funds, and fixed income mutual funds are valued at the net asset value of shares held by the Association at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

The Association's investments accounted at fair value are summarized below:

	March 31,	
	2021	2020
Money market funds	\$ 398,981	\$ 698,185
Equity mutual funds	7,979,036	4,757,135
Fixed income mutual funds	1,974,388	1,961,028
Total	<u>\$ 10,352,405</u>	<u>\$ 7,416,348</u>

NOTE D - ENDOWMENT

The Association's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors, in accordance with the gift acceptance policy of the Foundation's Board of Directors, to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association has interpreted the Unified Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE D - ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Association must hold in perpetuity or for a donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce above average investment yield while assuming a moderate level of investment risk. The Association expects its endowment assets over time to provide an average long-term rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association uses a diversified asset allocation placing a greater emphasis on equity based investments and a total return strategy in which investment returns are achieved through both capital appreciation and current return.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for expenditure each year 4% of the endowment assets average fair value at the end of the three years preceding the year in which the appropriation is planned. In establishing this policy, the Association considered the long-term expected rate of return on its endowment assets. Accordingly, over the long term, the Association expects the current spending policy to allow the endowment to grow an average 4% annually. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of March 31, 2021:

	Without Donor Restriction	With Donor Restricted	Total
Board-designated endowment funds	\$ 2,713,228		\$ 2,713,228
Regulatory-restricted endowment funds	81,285		81,285
Donor restricted			
Original donor-restricted gift		\$ 3,913,762	3,913,762
Accumulated investment gains		2,621,209	2,621,209
Total	<u>\$ 2,794,513</u>	<u>\$ 6,534,971</u>	<u>\$ 9,329,484</u>

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE D - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended March 31, 2021:

	Without Donor Restriction	With Donor Restricted	Total
Endowment net assets, beginning of year	\$ 2,000,016	\$ 4,509,960	\$ 6,509,976
Investment income, net	862,481	2,041,977	2,904,458
Contributions		168,272	168,272
Burial fees	10,350		10,350
Appropriation	(78,334)	(185,238)	(263,572)
Endowment net assets, end of year	<u>\$ 2,794,513</u>	<u>\$ 6,534,971</u>	<u>\$ 9,329,484</u>

Endowment net asset composition by type of fund as of March 31, 2020:

	Without Donor Restriction	With Donor Restricted	Total
Board-designated endowment funds	\$ 1,928,030		\$ 1,928,030
Regulatory-restricted endowment funds	71,986		71,986
Donor restricted			
Original donor-restricted gift		\$ 3,745,490	3,745,490
Accumulated investment gains		764,470	764,470
Total	<u>\$ 2,000,016</u>	<u>\$ 4,509,960</u>	<u>\$ 6,509,976</u>

Changes in endowment net assets for the year ended March 31, 2020:

	Without Donor Restriction	With Donor Restricted	Total
Endowment net assets, beginning of year	\$ 1,912,097	\$ 4,951,171	\$ 6,863,268
Investment loss, net	(163,495)	(440,274)	(603,769)
Contributions	321,006	186,033	507,039
Burial fees	1,950		1,950
Appropriation	(71,542)	(186,970)	(258,512)
Endowment net assets, end of year	<u>\$ 2,000,016</u>	<u>\$ 4,509,960</u>	<u>\$ 6,509,976</u>

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE E - SPLIT INTEREST AGREEMENTS

Charitable Gift Annuities

The Association is the beneficiary of several charitable gift annuities. The assets are recorded at fair value at the date of initial recognition. At March 31, 2021 and 2020, total assets of \$273,173 and \$226,069, respectively, were held by the Association, which are included in fiduciary investments on the consolidated statements of financial position.

Under the terms of the trust agreements, designated beneficiaries receive regular payments from the trust assets for the beneficiaries remaining lives. Upon death of the beneficiaries, the assets are to be retained for the Association's unrestricted use. At March 31, 2021 and 2020, liabilities of \$31,315 were recognized as obligations under annuity agreements.

The liabilities represent the present value of the expected beneficiary payments calculated based on the estimated life of the beneficiaries and a discount rate. The discount rate used to calculate the present value was 5%.

NOTE F - LINES OF CREDIT

The Association has an unsecured demand line of credit with a bank with maximum borrowings of \$500,000 at the prime interest rate (3.25% at March 31, 2021). At March 31, 2021 and 2020, the Association had borrowings outstanding of \$-0- and \$500,000, respectively. The line of credit renews on an annual basis.

The Association has a demand line of credit secured by certain investments of the Association with maximum borrowings of \$1,000,000 at the prime rate (3.25% at March 31, 2021) less 1.00% with a floor of 1.00%, maturing in September 2022. At March 31, 2021 and 2020, the Association had borrowings outstanding of \$308,835 and \$983,835, respectively.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE G - NOTES PAYABLE

Notes payable consist of the following term notes payable to financial institutions:

Maturity Date	Interest Rate	Secured By:	March 31,	
			2021	2020
12/2023	5.35%	real property - the Smith Building	\$ 112,844	\$ 124,095
01/2034	5.00%	real property - on Walnut Street	211,914	223,326
		real property - at the Memorial Garden and Lakeside Chautauqua Park		
12/2029	4.24%		159,699	174,373
12/2024	3.99%	real property - on Vine Street	37,288	46,287
06/2024	4.15%	real property - on Poplar Street	144,043	149,193
12/2024	3.50%	real property - on East 6th Street	382,853	395,825
12/2021	4.32%	specific vehicle	3,828	8,943
01/2026	5.49%	specific vehicle	46,851	-0-
11/2023	7.02%	specific vehicle	7,946	10,524
			<u>1,107,266</u>	<u>1,132,566</u>
		Less current portion	84,854	73,018
		Long-term portion of notes payable	<u>\$ 1,022,412</u>	<u>\$ 1,059,548</u>

Future maturities of notes payable are as follows:

Years Ending March 31,	Amount
2022	\$ 84,854
2023	83,197
2024	86,237
2025	589,933
2026	41,190
Thereafter	221,855
	<u>\$ 1,107,266</u>

Interest expense was \$74,103 and \$68,815 during the years ended March 31, 2021 and 2020, respectively.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE H - PAYCHECK PROTECTION PROGRAM LOANS

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act). Under the Act the Association applied for and received a loan under the Paycheck Protection Program. The Association received \$652,300 on April 27, 2020. The loan bore interest at 1%. The Association received formal forgiveness on February 15, 2021 and recognized other income of \$652,300.

In January of 2021, the Association applied for and received a second loan of \$639,410 from the Small Business Administration under the Economic Aid Act (enacted December 27, 2020) Payroll Protection Program (the Program). The loan bears interest at 1%, matures in 5 years, and can be repaid early with no penalty. Under the Program, some or all of the loan may be forgiven if used to cover eligible costs. In October 2021, the Association applied for full forgiveness.

Future maturities of the Paycheck Protection Program Loan are as follows:

<u>Years Ending March 31,</u>	<u>Amount</u>
2022	\$ 146,323
2023	126,815
2024	128,089
2025	129,376
2026	108,807
	<u>\$ 639,410</u>

NOTE I - NET ASSETS WITH DONOR RESTRICTION

Net assets were restricted by donors for the following purposes:

	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
Development fund		
Building and Grounds	\$ 40,334	\$ 398,352
Programming	391,914	218,339
Available for subsequent years' activities	1,800	500
Total development fund	<u>434,048</u>	<u>617,191</u>
Fiduciary fund: Charitable gift annuities, net	241,858	194,754
Endowment:		
Original donor-restricted gift	3,913,762	3,745,490
Accumulated investment gains	2,621,209	764,470
Total endowment funds	<u>6,534,971</u>	<u>4,509,960</u>
Total net assets with donor restriction	<u>\$ 7,210,877</u>	<u>\$ 5,321,905</u>

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE J - EMPLOYEE BENEFIT PLANS

The Association maintains two employee benefit plans, a defined contribution profit-sharing plan and a 401(k) voluntary tax-deferred annuity plan for the benefit of its employees.

Under the defined contribution profit-sharing plan, the Association contributes a percent of eligible employees' annual compensation. The contribution percentage is at the discretion of the Board of Directors and is determined annually. Employees become vested in the plan after three years of service. The Association contributed \$55,476 and \$55,419, respectively, under the plan during the years ended March 31, 2021 and 2020.

Under the 401(k) voluntary tax-deferred annuity plan, the Association contributes one dollar for every two dollars contributed to the plan by the employee up to a maximum of 4% of the employee's gross salary. The Association contributed \$55,928 and \$59,345 respectively, to the plan during the years ended March 31, 2021 and 2020.

NOTE K - RENTAL INCOME UNDER OPERATING LEASES

The Association leases building space to various tenants under non-cancelable operating lease agreements with lease terms exceeding one year expiring on various dates through December 2030. Minimum future rentals from non-cancelable operating leases are as follows:

<u>Years Ending March 31,</u>	<u>Amount</u>
2022	\$ 40,334
2023	45,419
2024	50,388
2025	46,741
2026	44,670
Thereafter	186,863
	<u>\$ 414,415</u>

NOTE L - OPERATING LEASES

The Association leases certain office equipment and a vehicle under operating lease agreements expiring at various dates through November 2024. Total rent expense from the leases for the years ended March 31, 2021 and 2020 was \$48,749 and \$26,052, respectively.

The Association leases submerged land under an operating lease agreement that expires in April 2046. Total rent expense on the lease for the years ended March 31, 2021 and 2020 was \$402.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE L - OPERATING LEASES (CONTINUED)

Minimum future rental payments under all non-cancelable operating leases having remaining terms in excess of one year are as follows:

<u>Years Ending March 31,</u>	<u>Amount</u>
2022	\$ 45,504
2023	38,389
2024	37,278
2025	24,986
2026	402
Thereafter	8,067
	<u>\$ 154,626</u>

NOTE M - INCOME TAXES

The Lakeside Association and the Lakeside Chautauqua Foundation are exempt from the federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association and Foundation have been determined by the Internal Revenue Service not to be private foundations within the meaning of Section 509(a)(2) of the Internal Revenue Code.

Realty and Memorial Garden, wholly owned subsidiaries of The Lakeside Association, are disregarded entities for tax purposes. Therefore, all activity of Realty and Memorial Garden are reported on the tax returns of The Lakeside Association. Because the activity of Realty and Memorial Garden are not within the tax exempt purpose of The Lakeside Association, it is taxed as unrelated business income. A provision for income taxes is recorded based on unrelated business income. Current income tax expense is based on taxable income computed under the requirements of the Internal Revenue Code.

Income tax expense for the years ended March 31, 2021 and 2020 was \$1,005 and \$28,202, respectively. The Association did not identify any material unrecognized tax benefits upon evaluation of tax positions taken and therefore, there was no material effect on the Association's financial condition or results of operations upon adoption. The Association evaluates at each balance sheet date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Association's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of March 31, 2021 and 2020, the Association had no accrued taxes, interest or penalties related to uncertain tax positions. The Association estimates the unrecognized tax benefit will not change significantly within the next twelve months.

LAKESIDE ASSOCIATION AND AFFILIATES

Notes to Consolidated Financial Statements Years Ended March 31, 2021 and 2020

NOTE N - REGULATORY RESTRICTED – PERPETUAL CARE ENDOWMENT

Memorial Garden is considered a cemetery under Ohio state laws. Ohio state cemetery and funeral laws (Laws) mandate cemetery owners establish an endowment care trust fund, segregated from other assets, and initially deposit \$50,000 in the fund. Laws mandate cemeteries further designate a certain percentage of burial site sales to this fund. The Association established a policy of allocating 10% of cash receipts from placement fees will be designated into the endowment care trust for perpetual care and maintenance.

The balance in this endowed fund at March 31, 2021 and 2020 was \$81,285 and \$71,986, respectively.

NOTE O - SUPPLEMENTAL DISCLOSURE NON CASH FINANCING ACTIVITIES

During the year ended March 31, 2021, the Association purchased a vehicle with debt of \$48,277.