Audited Financial Statements and Other Information

December 31, 2002 and 2001
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The Association's financial condition continues to be strong and stable. For the year 2002, revenues were $6,620,000 and expenses were $6,404,000 for a net increase in members' equity of $216,000. The Yacht Club's performance is included in these results. The Yacht Club contributed $31,000 of the $216,000 net income. Members' equity for the Association at December 31, 2002 was $6,219,000. The Association continues to fund its ongoing operating expenditures and is reserving funds for future repairs and replacements. For more information on the financial performance, please refer to the audited financial statements contained in this report. The 2003 budget has revenues of $7,057,600 and expenditures of $6,484,000 for net income of $573,600 of which $106,900 comes from the Yacht Club. The increase in revenues reflects the new assessment of $920 per property that was approved by our owners as part of the three-year assessment.

The Finance and Audit Committee, supported by the finance staff, had a very active year. Some of the accomplishments included: integrating the Yacht Club into the Association's accounting systems, preparing a three-year financial plan and assessment package, overseeing the 2003 budget process, reviewing the insurance program, and conducting an internal control review of the Yacht Club.

Prior to the merger, the Yacht Club relied on The Landings Club to provide their recordkeeping. After the merger, the Association's financial organization assumed the responsibility. This required the integration of the Yacht Club's systems into the Association's systems. As part of this process, we were able to develop additional information and reports to assist the Yacht Club management. Also, in conjunction with our auditors, a thorough review of the Yacht Club's balance sheet was conducted with emphasis on inventories and receivables. An internal control review of the revenue cycle was performed by a committee member which provided several recommendations that will be implemented in 2003.

Preparing the information for the three-year assessment vote was a major undertaking. The Committee played a significant coordinating role to ensure that input from the community, other Association committees and the staff were properly considered. The information was presented to the Board in a format that allowed policy and allocation issues to be addressed. The Board was then able to determine the amount of the annual assessment to be recommended to the property owners, which the property owners subsequently approved.

The 2003 budgeting process started with the three-year plan for the assessment, the first year of the plan being the basis for the 2003 budget, updated for known changes and more specific details. As part of the process, two members from the Finance & Audit Committee were assigned to each department to review the budget details and make recommendations to enhance non-assessment income or lower expenses. The review process provided the Committee with better insight into the budget and specific recommendations for enhancements. The Insurance Subcommittee reviewed our insurance program, especially as it relates to the Yacht Club. Like most entities, we are experiencing significant increases in insurance premiums. Alternatives need to be identified to mitigate these increases. A committee was formed to examine alternatives for investing our reserve funds. The goal is to enhance the return within our conservative investment philosophy of preserving principal.

As a Committee, our objective is to ensure that the financial position of the Association remains solid. We are constantly searching for ways to improve non-assessment income and keep expenses under control.

The members of the Finance & Audit Committee are listed in this report. I want to thank each of them for their active involvement in the work of the Committee. They are competent and dedicated. It was a privilege to work with them. We all owe them our gratitude.

Finance Committee
Robert Aiken, Chair
Al Arcady
Paul Carini
Sidney Carr
Tom Gilligan
Roy Godman
Ed Hastings
John Kilcullen
Roger Molzahn
Maggie Sandberg
Bob Swithers
Deborah L. Friend, Dept Contact
Report Of Independent Certified Public Accountants

To The Board of Directors and Members
The Landings Association, Inc.
600 Landings Way South
Savannah, Georgia 31411

We have audited the accompanying consolidating balance sheets of The Landings Association, Inc. and subsidiary as of December 31, 2002 and 2001, and the related consolidating statements of revenues and expenses and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Association’s management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of The Landings Association, Inc. and subsidiary as of December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, all in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of The Landings Association, Inc. and subsidiary as of and for the years ended December 31, 2002 and 2001, which are presented in the subsequent section of this report. The supplementary information on pages 22 through 24 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information of future major repairs and replacements on pages 18 and 19 is not a required part of the basic financial statements of The Landings Association, Inc. but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lazard Dana Curlee & Arkin LLP.

January 29, 2003

Lazard, Dana, Curlee & Arkin, L.L.P.
24 Drayton Street, Suite 300, Savannah, GA 31401
P.O. Box 9706, Savannah, GA 31412
Phone: (912) 238-1001 Fax: (912) 238-1701
## Consolidating Balance Sheets

### ASSETS

#### Current Assets
- **Cash & cash equivalents**: $1,384,163
- **Cash held in escrow**: $236,319
- **Certificates of deposit, escrow**: $148,204
- **Investments, short-term**: $161,214
- **Investments, short-term escrow**: $35,231
- **Assessments receivable, net of allowance**: $4,592
- **Interest receivable**: $768
- **Income tax receivable**: $77,300
- **Other accounts receivable, net of allowance**: $248,935
- **Inventories**: $45,939
- **Prepaid expenses**: $109,259
- **Deferred tax asset**: $5,300

#### Total Current Assets: $2,030,580

#### Property, Plant and Equipment
- **Land**: $75,000
- **Buildings and equipment, net**: $2,924,031

#### Total Property, Plant and Equipment: $2,924,031

#### Long-term Assets
- **Certificate of deposit, escrow**: $100,000
- **Investments, long-term**: $100
- **Investment in subsidiary**: $1,069,372
- **Interfund receivable (payable)**: $454,795
- **Other receivable**: $26,270

#### Total Long-term Assets: $740,947

#### Total Assets: $5,695,558

### LIABILITIES AND EQUITY

#### Current Liabilities
- **Accounts payable & accrued expenses**: $130,113
- **Current portion of long-term debt**: $60,091
- **Deferred revenue**: $153,879
- **Escrow balances and deposits**: $336,320
- **Lead payments due**: $3,878
- **Accrued payroll & taxes withheld**: $206,911
- **Deferred tax liability**: $4,300
- **Income taxes payable**: $31,637

#### Total Current Liabilities: $919,051

#### Long-term Liabilities
- **Long-term bank debt, net of current portion**: $773,473
- **Deferred revenue**: $46,912
- **Deferred tax liability**: $24,200

#### Total Long-term Liabilities: $820,385

#### Total Liabilities: $1,739,436

#### Equity
- **Common stock**: $100
- **Retained earnings**: $1,069,372
- **Members’ equity**: $3,956,122

#### Total Equity: $5,025,562

#### Total Liabilities and Equity: $5,695,558

### NOTE
- The accompanying Notes to Financial Statements are an integral part of these financial statements.
Consolidating Statements of Revenues & Expenses and Changes in Equity

<table>
<thead>
<tr>
<th>Revenues</th>
<th>The Landings Association, Inc.</th>
<th>The Landings Company</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Funds Total</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>Operating Reserve Funds Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments</td>
<td>$ 3,485,820</td>
<td>-</td>
<td>- $</td>
<td>$ 3,485,820</td>
</tr>
<tr>
<td>Marina revenue</td>
<td>1,872,368</td>
<td>-</td>
<td>- $</td>
<td>1,872,368</td>
</tr>
<tr>
<td>Commissions</td>
<td>-</td>
<td>-</td>
<td>4,263,163</td>
<td>4,263,163</td>
</tr>
<tr>
<td>Service agreements</td>
<td>176,365</td>
<td>176,365</td>
<td>-</td>
<td>176,365</td>
</tr>
<tr>
<td>Vehicle registration</td>
<td>636,669</td>
<td>636,669</td>
<td>-</td>
<td>636,669</td>
</tr>
<tr>
<td>Architectural review fees</td>
<td>123,387</td>
<td>123,387</td>
<td>-</td>
<td>123,387</td>
</tr>
<tr>
<td>Interest earned</td>
<td>49,747</td>
<td>40,864</td>
<td>-</td>
<td>90,611</td>
</tr>
<tr>
<td>Rental fees</td>
<td>-</td>
<td>1,098,020</td>
<td>-</td>
<td>1,098,020</td>
</tr>
<tr>
<td>Cable contract fees</td>
<td>41,488</td>
<td>41,488</td>
<td>-</td>
<td>41,488</td>
</tr>
<tr>
<td>Journal advertising</td>
<td>31,683</td>
<td>31,683</td>
<td>-</td>
<td>31,683</td>
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<tr>
<td>Storage yard leases</td>
<td>33,082</td>
<td>33,082</td>
<td>-</td>
<td>33,082</td>
</tr>
<tr>
<td>Telecommunications leases</td>
<td>45,884</td>
<td>45,884</td>
<td>-</td>
<td>45,884</td>
</tr>
<tr>
<td>Forfeited construction deposits</td>
<td>9,900</td>
<td>9,900</td>
<td>-</td>
<td>9,900</td>
</tr>
<tr>
<td>Other</td>
<td>72,916</td>
<td>72,916</td>
<td>-</td>
<td>72,916</td>
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<tr>
<td>Total</td>
<td>6,579,309</td>
<td>40,864</td>
<td>6,620,173</td>
<td>5,420,179</td>
</tr>
<tr>
<td>Expenses</td>
<td>Operating Reserve Funds Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public safety</td>
<td>942,328</td>
<td>942,328</td>
<td>-</td>
<td>942,328</td>
</tr>
<tr>
<td>Public works</td>
<td>1,937,926</td>
<td>247,166</td>
<td>-</td>
<td>1,985,092</td>
</tr>
<tr>
<td>Marina expenses</td>
<td>1,841,696</td>
<td>2,185,092</td>
<td>1,841,696</td>
<td>1,841,696</td>
</tr>
<tr>
<td>Architectural review</td>
<td>169,882</td>
<td>169,882</td>
<td>-</td>
<td>169,882</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>1,197,444</td>
<td>1,197,444</td>
<td>848,754</td>
<td>2,046,198</td>
</tr>
<tr>
<td>Special projects</td>
<td>44,341</td>
<td>44,341</td>
<td>-</td>
<td>44,341</td>
</tr>
<tr>
<td>Commissions</td>
<td>2,513,670</td>
<td>2,513,670</td>
<td>2,151,922</td>
<td>4,665,592</td>
</tr>
<tr>
<td>Costs related to rentals</td>
<td>1,145,822</td>
<td>1,145,822</td>
<td>-</td>
<td>1,145,822</td>
</tr>
<tr>
<td>Sales &amp; marketing</td>
<td>1,101,899</td>
<td>1,101,899</td>
<td>-</td>
<td>1,101,899</td>
</tr>
<tr>
<td>Income taxes</td>
<td>22,597</td>
<td>23,653</td>
<td>(66,465)</td>
<td>(42,814)</td>
</tr>
<tr>
<td>Total</td>
<td>6,156,214</td>
<td>248,220</td>
<td>6,404,434</td>
<td>5,543,680</td>
</tr>
<tr>
<td>Excess of revenues over (under) expenses</td>
<td>423,095</td>
<td>(207,356)</td>
<td>215,739</td>
<td>92,238</td>
</tr>
<tr>
<td>Equity in earnings of subsidiary</td>
<td>(123,501)</td>
<td>(123,501)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity, January 1</td>
<td>3,910,934</td>
<td>(207,356)</td>
<td>92,238</td>
<td>577,656</td>
</tr>
<tr>
<td>Transfer of projects</td>
<td>41,597</td>
<td>(41,597)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to repair &amp; replacement funds</td>
<td>296,003</td>
<td>296,003</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity, December 31</td>
<td>$ 3,956,122</td>
<td>$ 2,262,518</td>
<td>$ 2,168,640</td>
<td>$ 1,069,472</td>
</tr>
</tbody>
</table>

NOTE: The accompanying Notes to Financial Statements are an integral part of these financial statements.
## Consolidating Statements of Cash Flows

### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>The Landings Association, Inc.</th>
<th>Year ended December 31, 2002</th>
<th>The Landings Company</th>
<th>Eliminations</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenues over (under) expenses</td>
<td>$299,594</td>
<td>(207,356) $</td>
<td>$92,238 $</td>
<td>(123,501) $</td>
<td>$123,501 $</td>
<td>$92,238 $</td>
</tr>
<tr>
<td>Adjustments to reconcile excess of revenues over (under) expenses to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in earnings of subsidiary</td>
<td>123,501</td>
<td>123,501</td>
<td>-</td>
<td>123,501</td>
<td>431,953</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>345,782</td>
<td>345,782</td>
<td>77,391</td>
<td>423,173</td>
<td>18,319</td>
<td></td>
</tr>
<tr>
<td>Loss on disposition of assets</td>
<td>1,497</td>
<td>1,497</td>
<td>2,783</td>
<td>3,913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>1,757</td>
<td>1,757</td>
<td>1,757</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in assessments receivable</td>
<td>(5,978)</td>
<td>(5,978)</td>
<td>(5,978)</td>
<td>3,303</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in inventory</td>
<td>3,780</td>
<td>3,780</td>
<td>3,780</td>
<td>32,020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in deferred tax items</td>
<td>(885)</td>
<td>3,356</td>
<td>4,241</td>
<td>4,241</td>
<td>18,319</td>
<td></td>
</tr>
<tr>
<td>Increase in prepaid expenses</td>
<td>(30,824)</td>
<td>(30,824)</td>
<td>6,800</td>
<td>6,800</td>
<td>5,700</td>
<td></td>
</tr>
<tr>
<td>Decrease in other assets</td>
<td>1,497</td>
<td>1,497</td>
<td>1,286</td>
<td>2,783</td>
<td>3,913</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued expenses</td>
<td>(163,549)</td>
<td>(10,056)</td>
<td>(173,605)</td>
<td>131,518</td>
<td>(42,087)</td>
<td>59,957</td>
</tr>
<tr>
<td>Increase in escrow balances and deposits</td>
<td>4,070</td>
<td>4,070</td>
<td>4,070</td>
<td>121,977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued expenses</td>
<td>39,971</td>
<td>39,971</td>
<td>183,924</td>
<td>(143,953)</td>
<td>8,281</td>
<td></td>
</tr>
<tr>
<td>Increase in deferred revenues</td>
<td>10,925</td>
<td>10,925</td>
<td>10,925</td>
<td>25,720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in interfund balances</td>
<td>(548)</td>
<td>548</td>
<td>-</td>
<td>67,484</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in income taxes payable</td>
<td>(38,444)</td>
<td>(245,225)</td>
<td>(62,969)</td>
<td>(62,969)</td>
<td>(62,969)</td>
<td></td>
</tr>
<tr>
<td>Restricted contributions received from members</td>
<td>41,541</td>
<td>41,541</td>
<td>41,541</td>
<td>6,432</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash transfer to other funds</td>
<td>(288,067)</td>
<td>288,067</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided (used) by operating activities</td>
<td>310,848</td>
<td>91,575</td>
<td>402,423</td>
<td>(90,598)</td>
<td>-</td>
<td>311,825</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>The Landings Association, Inc.</th>
<th>Year ended December 31, 2002</th>
<th>The Landings Company</th>
<th>Eliminations</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>(307,981)</td>
<td>(33,662)</td>
<td>(341,643)</td>
<td>(26,018)</td>
<td>(367,661)</td>
<td>(286,913)</td>
</tr>
<tr>
<td>Proceeds from sale of assets</td>
<td>20,688,324</td>
<td>19,612,705</td>
<td>40,301,029</td>
<td>40,301,029</td>
<td>42,440,000</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of certificates of deposit</td>
<td>148,204</td>
<td>148,204</td>
<td>148,204</td>
<td>418,726</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of short-term investments</td>
<td>(20,606,406)</td>
<td>(17,694,623)</td>
<td>(38,301,029)</td>
<td>(38,301,029)</td>
<td>(42,040,000)</td>
<td></td>
</tr>
<tr>
<td>Purchase of short-term investments</td>
<td>(99,016)</td>
<td>(100,000)</td>
<td>(100,000)</td>
<td>(100,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided (used) by investing activities</td>
<td>(177,859)</td>
<td>1,884,420</td>
<td>1,706,561</td>
<td>(24,918)</td>
<td>-</td>
<td>1,681,643</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>The Landings Association, Inc.</th>
<th>Year ended December 31, 2002</th>
<th>The Landings Company</th>
<th>Eliminations</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayments under long-term bank agreement</td>
<td>1,078,185</td>
<td>1,078,185</td>
<td>21,667</td>
<td>1,099,852</td>
<td>(172,498)</td>
<td></td>
</tr>
<tr>
<td>Borrowings under long-term agreements</td>
<td>500,000</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments under long-term agreements</td>
<td>45,205</td>
<td>45,205</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(623,390)</td>
<td>(645,795)</td>
<td>(1,078,185)</td>
<td>(21,667)</td>
<td>-</td>
<td>(1,099,852)</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>(490,401)</td>
<td>1,521,200</td>
<td>1,030,799</td>
<td>(137,183)</td>
<td>893,616</td>
<td>1,460,094</td>
</tr>
<tr>
<td>Cash and cash equivalents, January 1</td>
<td>2,110,883</td>
<td>77,007</td>
<td>2,187,890</td>
<td>1,277,977</td>
<td>3,465,867</td>
<td>2,005,773</td>
</tr>
<tr>
<td>Cash and cash equivalents, December 31</td>
<td>$1,620,482</td>
<td>$1,598,207</td>
<td>$3,218,689</td>
<td>$1,140,794</td>
<td>$ -</td>
<td>$4,359,483</td>
</tr>
</tbody>
</table>

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

**Cash paid during the year for interest by The Landings Association, Inc.**

- $34,238
- $124,203

**Cash paid during the year for taxes by The Landings Association, Inc.**

- $86,621
- $82,347

**Cash paid during the year for interest by The Landings Company**

- $7,416
- $11,819

**NOTE** - The accompanying Notes to Financial Statements are an integral part of these financial statements.
Notes to
Financial Statements
Notes to Financial Statements

Note 1 - Organization

The Landings Association, Inc. (“Association”) is a homeowners’ organization organized as a not-for-profit corporation in the State of Georgia. Its members are property owners of The Landings on Skidaway Island, a private residential community comprised of 4,450 acres and 4,251 lots, located in Savannah, Georgia. The Association owns, operates and maintains the common properties and facilities, and provides security services within the community.

On January 1, 2002 The Landings Yacht Club merged with The Landings Association, Inc. The Yacht Club’s financial results for 2002 are included within the Operating Fund for the Association. The Yacht Club operates two marinas, a marine repair shop, a sundries store and a bar.

The Association is the sole shareholder of The Landings Company (“Company”). The Company is responsible for the marketing and the real estate operations previously provided by the property developer, The Branigar Organization (“Branigar”). In accordance with the bylaws of the Company, the transfer of Company stock is restricted solely to the Association which is to remain the sole shareholder. The majority of the Company’s expenditures relates to promoting The Landings real estate properties on a national basis, sales of homes and lots and rentals of owners’ homes.

Note 2 - Significant Accounting Policies

Prior Year Comparative Information - Prior year financial statements have been restated on a combined basis to aid comparisons for the current year. The restated combined information present the financial statement information of The Landings Association, Inc. and The Landings Yacht Club, Inc. in the columns captioned “Dec 31 01 Total”.

Method of Consolidation - The accompanying consolidating financial statements include the accounts of The Landings Association, Inc. and its wholly owned subsidiary, The Landings Company. Intercompany transactions and balances have been eliminated in consolidation.

Accounting Method - Both the Association’s and the Company’s financial statements have been prepared on the accrual basis of accounting.

Accordingly, revenues are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid. Further, the Association uses fund accounting which requires that funds designated for future significant repairs and replacements (Storm Drain & Selected Assets Fund, Equipment Reserve Fund and Road & Trail Resurfacing Fund) and the funds received from members for designated purposes other than operating (Capital Improvements Fund) be classified separately for accounting and reporting purposes.

Cash & Cash Equivalents - Cash equivalents represent highly liquid investments with maturities of three months or less at the date of purchase.

Segregated Cash Within the Operating Fund - In accordance with the Architectural Guidelines and Review Procedures, the Association holds monies in escrow for owners and builders during the construction phase of new houses and major renovations.

Segregated Cash Within the Reserve Funds - The Association held in a segregated account within the Capital Improvements Fund the amount pledged to the Athletic Field/Dog Park Steering Committees. The monies raised by the Committees remain in an account that they established during the campaign to be transferred when needed to pay for the project and are not included in these financial statements.

Segregated Cash Within The Landings Company - The Company has escrow accounts established to hold the monies received as down payments on sales contracts and security deposits of members’ houses rented through the Company. Effective June 30, 2000, transfer fees collected were recorded as deferred revenue and maintained in a restricted cash account pending the outcome of a lawsuit (see Note 9).

Assessments - Members’ assessments for the Association for operating purposes are required to be approved by a vote of the members no more frequently that every three years. The assessment rate for each lot in 2002 and 2001 was $820. Disbursements from the Operating Fund are generally at the discretion of the general manager.
within the Board’s approved budget. Disbursements from the reserve funds may only be for their designated purposes.

**Transfer Fees** - To generate revenues to support the marketing activities, the Company collected transfer fees equal to one percent (reduced to 0.75% effective September 20, 1999 and further reduced to 0.50% effective June 19, 2000) of the price of homes and lots sold within The Landings community. Effective January 16, 2001 transfer fees are no longer collected. The homeowners, through a vote that exceeded the two-thirds minimum required to pass such a covenant change, approved the establishment of the transfer fee of up to one percent.

**Yacht Club Revenue** - The Yacht Club has the following revenue sources to support its operations: membership dues, boat rack storage, wet slip rental, marine repair service, merchandise, gasoline and diesel sales. Member dues and rack & slip rentals are billed prior to the actual furnishings of the services and are transferred from deferred revenue to income as earned.

**Inventories** - Inventories for the Association’s marina operations include:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td>$19,445</td>
<td>$18,699</td>
</tr>
<tr>
<td>Parts</td>
<td>13,659</td>
<td>18,945</td>
</tr>
<tr>
<td>Gasoline and diesel fuel</td>
<td>9,586</td>
<td>12,074</td>
</tr>
<tr>
<td>Liquor</td>
<td>3,249</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$45,939</strong></td>
<td><strong>$49,718</strong></td>
</tr>
</tbody>
</table>

**Recognition of Assets and Depreciation Policy** - The Association owns significant amounts of real property and improvements as follows:

- Common areas and rights-of-way, in acres: 1,356
- Roadways, in miles: 96
- Trails, in miles: 32
- Lagoons: 142
- Gate houses & entrances: 5
- Bridges: 9

These properties were periodically conveyed to the Association under an agreement with the developer. These common properties are real property directly associated with the individual ownership of member properties and dedicated for the use of the entire community. They cannot be sold separately, and thus have no fair market value other than that related to their intended use. Such assets are not recognized in the financial statements of the Association. The Articles of Incorporation and General Declaration of Covenants and Restrictions permit the Association to participate in mergers and consolidations with other non-profit corporations organized for the same purposes; mortgage the properties; and dedicate or transfer all or any part of the common properties to any public agency, authority or utility. Upon dissolution of the corporation, the assets, both real and personal, shall be dedicated to an appropriate public agency or activity. All such actions require approval of two-thirds of the membership.

The Association capitalizes assets acquired with Association funds. Assets donated by members are recorded at fair market value. For the Association and the Company, property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method at rates that are sufficient to amortize the cost of the assets over their estimated useful lives. For the years ended December 31, 2002 and 2001, the combined amounts expensed by the Association for depreciation were $345,782 and $356,235, respectively. For the years ended December 31, 2002 and 2001, amounts expensed by the Company for depreciation were $77,391 and $75,718, respectively.

Property, plant and equipment consist of the following at December 31, 2002:

<table>
<thead>
<tr>
<th>The Landings Association</th>
<th>The Landings Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvements</td>
<td>$787,315</td>
</tr>
<tr>
<td>Buildings &amp; docks</td>
<td>2,578,588</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,304,196</td>
</tr>
<tr>
<td>Furniture &amp; computers</td>
<td>230,138</td>
</tr>
<tr>
<td>Vehicles</td>
<td>534,228</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,434,465</td>
</tr>
<tr>
<td>Less - accumulated depreciation</td>
<td>(2,510,434)</td>
</tr>
<tr>
<td>Land</td>
<td>2,924,031</td>
</tr>
<tr>
<td></td>
<td>75,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,924,031</td>
</tr>
</tbody>
</table>
Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs - The Company expenses the majority of advertising and other marketing costs when related invoices are received.

Reclassifications - Certain prior year amounts have been reclassified to conform to current year presentations.

Note 3 - Yacht Club Merger
As a result of a plan of merger approved by the Association and Yacht Club membership in October 2001, the two entities merged into one on January 1, 2002 using the pooling of interest method. Under this method, the historical costs of the separate entities’ assets and liabilities as of the beginning of the year are combined and become the recorded amounts of the combined entity’s assets and liabilities. Included in the debt of the Yacht Club were bank loans in the original amount of $2,000,000 and $90,000. In January 2002, the Association paid off the remainder of the $90,000 loan in the amount of $68,592 and applied $931,408 to the $2,000,000 loan. The terms of the loan remain the same, a loan payment is payable in monthly installments of principal plus interest at 1.22% over the LIBOR rate for 15 years.

Note 4 - Concentration of Credit Risk
The Association and the Company maintain their cash balances at regional banks, located in Savannah, Georgia. Certain balances are insured through real estate laws and by the Federal Deposit Insurance Corporation up to $100,000. The combined uninsured balances of the Association were approximately $2,516,407 and $1,737,955 at December 31, 2002 and 2001, respectively. Uninsured balances of the Company were $420,876 and $420,046 at December 31, 2002 and 2001, respectively.

Note 5 - Association Investments
Investment securities are those investments that the Association acquires with the intent and the ability to hold to maturity. Securities chosen for investment are selected to preserve capital and protect investment principal, maintain sufficient liquidity to meet anticipated needs and attain a market rate of return consistent with the preservation of capital.

Short-term Investments - The short-term investment is a Federal Home Loan Bank Note which is stated at cost plus interest receivable, which approximates market.

Long-term Investments - The long-term investment is a Federal Home Loan Bank Note, which is stated at cost plus interest receivable.

<table>
<thead>
<tr>
<th>Face value</th>
<th>Maturity</th>
<th>Interest rate</th>
<th>Market</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHLB</td>
<td>65,000</td>
<td>12/04/2004</td>
<td>6.045%</td>
<td>72,200 65,528</td>
</tr>
</tbody>
</table>

Note 6 - Assessments Receivable
The Association's policy is to place liens on the properties of owners whose assessments are two months in arrears. Assessments receivable of $8,892 at December 31, 2002, and $2,914 at December 31, 2001, in the Operating Fund, including interest, fees and legal costs, were in arrears and under lien. Because of foreclosures against certain property owners and the filing of personal bankruptcies that cast doubt on the collectibility of certain assessments, an allowance for doubtful accounts of $4,300 in 2002 and $2,543 in 2001, have been established for their uncertainty.

Note 7 - Reserve Funds
Capital Improvements Fund - A special capital assessment of $200 was billed in 1986 to build the administration building and maintenance facility for the Association. The capital assessment of 1986 is restricted to the capital additions in the 12-acre area of the Association's administration building.

Future Major Repairs and Replacements - The Association's governing documents provided for the levying of annual general purpose assessments which, in addition to providing funds for general operations of the Association, also provide for the repair and maintenance of drainage facilities, selected assets, equipment and road resurfacing.

It is the practice of the Association to include normal, recurring repair and maintenance of common properties in annual operating budgets and to set aside in separate repair and
replacements funds amounts estimated to be required to meet future major repair and replacement costs of certain components of common properties. Actual expenditures may vary from the estimated future expenditures and variations may be material. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

Storm Drain & Selected Assets Fund - In 2000, the Association conducted a study to determine the physical and operating condition and estimate future costs of major repair and replacements of the drainage system, nine bridges, the observation tower within The Landings and the administration building's roof. The study estimated that the components in the drainage system have useful lives that range from 30 to 80 years. The study estimated the cart bridges have useful lives of 25-30 years and the road bridges 50-80 years. The roof and the observation tower have estimated useful lives of 20 years and 35 years, respectively. Monies transferred to this fund amounted to $89,500 in 2002 and $89,523 in 2001. During the year ended December 31, 2002, no expenditures were necessary for repair or replacement out of this fund.

Equipment Reserve - In 1997, the Association established a fund to cover 50 percent of a replacement cost of major capital equipment. Major capital equipment is defined as those items costing $50,000 or more. In 2002, $58,497 was transferred from this fund.

Road & Trail Fund - In 2001, the Association conducted a study to determine the physical and operating condition and estimate future costs of major repair and resurfacing of the road and trail system. The study estimated that the roads have useful lives of 15 to 25 years, and trails 10 to 20 years depending on the type of root barrier used. Monies transferred to this fund amounted to $265,000 in 2002 and $300,000 in 2001. During the year ended December 31, 2002, the amount expended from the fund for trail renovation was $247,166.

Note 8 - Interfund Borrowing
In January 2002, $500,000 was borrowed from the Storm Drain and Selected Asset Fund to payoff a portion of the Yacht Club debt (see Note 3). This money was used with the understanding that it would be paid back into the fund over a 15 year period with interest. As of December 31, 2002 $45,205 had been paid back into the fund.

Note 9 - Pension Plan
The Association maintains a defined contribution pension plan for all eligible employees. Employees are eligible to participate in the plan upon attaining the age of 21 years and completing 12 months active service. Vesting begins with the second year of service and participants become fully vested after six years.

Association contributions, based on established percentages of eligible paid compensation, but not to exceed five percent of the total quarterly eligible compensation amounted to $66,657 in 2002 and $56,159 in 2001.

In July 1998, the Association and the Company established 401(k) retirement plans. Employees are eligible to participate in the plan upon attaining the age of 18 years and completing six months of service. Employees may contribute annually up to the lesser of 20 percent of their salaries or $11,000 during 2002 and $10,500 in 2001. The Company's plan provides for an employer match of 50 percent on the first four percent of the salary deferred by an employee. Effective May 1, 2001 the Association's plan increased the employer match to 75 percent on the first five percent of the salary deferred by an employee. Vesting on the employer-matched contribution begins with the second year of service and participants become fully vested after six years. For the years ended December 31, 2002, and 2001, the Association's contributions amounted to $39,887 and $22,979 respectively. Expenses for the Company amounted to $6,134 and $11,390 for the years ended December 31, 2002 and 2001, respectively.

Note 10 - Income Taxes
The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ending December 31, 2002. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general,
the Association is required to separate its taxable income and deductions into membership, nonmembership and capital transactions. For federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association will file form 1120, which has graduated rates of 15% to 39% that are applied to net taxable income.

In 2001, the Association elected to file its income tax returns as a homeowners' association in accordance with the Internal Revenue Code, Section 528. Under this section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of the Association property. Net non-exempt function income, which includes earned interest and revenues received from non-members, is taxed at 30 percent by the federal government and at six percent by the State of Georgia.

In 2001, the Yacht Club was exempt from federal income tax under Section 501(c)(7) of the Internal Revenue Code, except for amounts representing net unrelated business income.

The Company elected a C-Corporation status for income tax purposes. The provision for income taxes includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and that for income tax purposes. The Company's income taxes are determined under the asset and liability approach described in Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Temporary differences giving rise to the deferred tax asset consists primarily of the amortization for tax purposes of organizational costs that were expensed for financial reporting and the timing differences of the depreciation for property, plant and equipment. The 2002 tax loss of approximately $205,000 will be carried back to 1998 in order to offset taxes previously paid on taxable income. This tax carryback will result in a refund when the tax return is filed.

The Company's tax provision consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>Tax refund on current taxable loss</td>
<td>$(73,265)</td>
</tr>
<tr>
<td>Deferred income tax expense</td>
<td>6,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(66,465)</td>
</tr>
</tbody>
</table>

**Note 11 - Legal Matters**

One former and one present property owner challenged the validity of the transfer fee charged by The Landings Company. The plaintiffs were also seeking class certification from the Court. The plaintiffs purporting to act for a class, sought to restrain and enjoin the defendants from collecting any further transfer fees or from spending any of them and request an accounting and a permanent injunction against the collection of transfer fees. The litigation further sought a judgment that would return transfer fees collected by the Company to the plaintiffs and all members of the class. The Trial Court denied the plaintiff's efforts to certify the case as a class action suit. The plaintiff's have filed no appeal. The case is now confined to the plaintiff's individual claims. The necessity to maintain the escrow account established to hold any transfer fees collected since June 30, 2000 as directed by the Superior Court of Chatham County, has not been determined.

Another set of property owners have filed a suit to collect transfer fees paid on six property transfers plus attorney's fees. The case was only recently filed and is in the discovery stage.

Both the Association and the Company intend to vigorously defend these matters. The likelihood that this situation will have a material impact on the financial statements within the next year is remote.

In April 2002, the Association filed action in the Chatham County Superior Court against Utilities, Inc. and Utilities, Inc. of Georgia for equitable relief, including an accounting, and breach of contract. The defendants filed a counterclaim for unspecified damages. In September 2002, the defendants voluntarily dismissed the counterclaim.
Note 12 - Line Of Credit

The Company has an unsecured $330,000 line of credit agreement with SunTrust Bank bearing interest at 0.70% percent over the LIBOR rate. At December 31, 2002 and 2001, no balance was outstanding under this agreement.

The Association has an unsecured $5,000,000 line of credit agreement with Wachovia bearing interest at 1.25% percent over the LIBOR rate. At December 31, 2002 and 2001, no balance was outstanding under this agreement.

Note 13 - Related Party Transactions

The Association entered into a contract with The Landings Club, Inc. ("Club") a separate equity membership entity (all members of which are members of the Association) that owns and operates the golf, tennis, swimming and physical fitness facilities. Under the terms of the agreement, the Association provides lagoon maintenance and security services. The services amounted to $149,302 and $122,071, in 2002 and 2001, respectively. The Association's accounts receivable due from the Club for such services were $18,343 and $8,994 on December 31, 2002 and 2001, respectively.

The Company paid $9,247 in 2002 and $10,176 in 2001 to the Club for club expenses of guests of the Company. As of December 31, 2002 and 2001, $3,200 and $2,916, respectively, is due to the Club for such expenses.

In accordance with the merger agreement the Association and the Yacht Club shared equally the costs of the merger. As of December 31, 2001 accounts receivable due from the Yacht Club for their share of the expenses was $15,641.

Note 14 - Long-Term Debt

Association - Long-term debt consists of a commercial variable rate promissory note in the original amount of $901,355 payable to SunTrust Bank. The note is payable in monthly installments of principal in the amount of $5,008 plus accrued interest at the ninety-day LIBOR rate plus 1.22% A final payment of the unpaid principal balance plus accrued interest is due and payable on January 10, 2017. The note is collateralized by a negative covenant not to encumber the marina real estate and all monies, instruments, savings, checking and other accounts that are in SunTrust’s custody. The current portion of the debt is $60,091 at December 31, 2002.

Company - Long-term debt consists of a real estate mortgage in the original amount of $325,000 payable to SunTrust Bank. The mortgage is payable in monthly installments of principal and interest at 0.70% over LIBOR rate for fifteen years with a balloon payment due August 5, 2005. The mortgage is secured by the office building, furniture, fixtures, and equipment of the Company. The current portion of the debt is $21,667 at December 31, 2002.

<table>
<thead>
<tr>
<th></th>
<th>The Landings Association</th>
<th>The Landings Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>$ 833,564</td>
<td>$ 229,304</td>
</tr>
<tr>
<td>Less: current portion of long-term debt</td>
<td>60,091</td>
<td>21,667</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 773,473</strong></td>
<td><strong>$ 207,637</strong></td>
</tr>
</tbody>
</table>

Maturities of long-term debt for the next five years and in the aggregate are as follows:

<table>
<thead>
<tr>
<th>For the year ending</th>
<th>The Landings Association</th>
<th>The Landings Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$ 60,091</td>
<td>$ 21,667</td>
</tr>
<tr>
<td>2004</td>
<td>60,091</td>
<td>21,667</td>
</tr>
<tr>
<td>2005</td>
<td>60,091</td>
<td>185,970</td>
</tr>
<tr>
<td>2006</td>
<td>60,091</td>
<td>21,667</td>
</tr>
<tr>
<td>2007</td>
<td>60,091</td>
<td>21,667</td>
</tr>
<tr>
<td>Thereafter</td>
<td>533,109</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>833,564</strong></td>
<td><strong>229,304</strong></td>
</tr>
</tbody>
</table>

Note 15 - Company Commitments

Commitment - The Company entered into a five-year agreement with Branigar effective February 2, 1998, to remit 1.1 percent of the sales prices of Landings homes and lots purchased by prospective buyers listed on the Branigar lead database. As the organization previously responsible for marketing The Landings, Branigar established this database that was transferred to the Company as part of the agreement. For the years ended December 31, 2002 and 2001, Branigar lead payment expense totaled $87,832 and $65,938, respectively.

Lease obligations - The Company leases office equipment under non-cancelable operating leases expiring in various years through 2005. The
Company incurred rental expense relating to operating leases of $18,702 and $19,578 for the years ended December 31, 2002 and 2001, respectively.

Minimum annual lease payments are as follows:

<table>
<thead>
<tr>
<th>For the year ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$16,056</td>
</tr>
<tr>
<td>2004</td>
<td>16,056</td>
</tr>
<tr>
<td>2005</td>
<td>3,660</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$35,772</strong></td>
</tr>
</tbody>
</table>

**Note 16 - Association Commitments**

**Landscape and Right-of-Way Maintenance Agreement** - In August 1999, the Association and ValleyCrest (formerly ECI) entered into a five-year agreement to provide landscaping and mowing services. In conjunction with this agreement the Association is leasing the north maintenance facility to ValleyCrest for the length of the contract. In 2001, the Association extended the contract for one more year.

Minimum annual payments under this agreement, excluding the lease payments by ValleyCrest to the Association, are as follows:

<table>
<thead>
<tr>
<th>For the year ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$829,434</td>
</tr>
<tr>
<td>2004</td>
<td>829,434</td>
</tr>
<tr>
<td>2005</td>
<td>829,434</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,488,302</strong></td>
</tr>
</tbody>
</table>
Supplementary Information
Major Repairs and Replacements
Supplementary Information on Major Repairs and Replacement

Storm Drain and Flood Water Control Fund & Selected Assets Fund – In 2000, the Association completed a study of the components in these two funds. The study included an engineering review of the costs associated with the cost to repair or replace the components of the storm drain and lagoon system. It is estimated that the total cost of the repair and replacement of the underground drain pipes, catch basins, dikes and manholes in the storm drain system at one time would be $26,141,600. The heavy concrete pipe and pre-formed sections used in the storm drainage system are typically assigned a life of 80 years. The lagoon structures and dikes have useful lives that range from 25 to 40 years. The components in the Selected Asset Fund include six cart bridges that have estimated useful lives that range from 25 to 30 years and a value of $980,000. The three road bridges have estimated useful lives that range from 50 to 80 years and a value of $1,860,000. It is estimated the observation tower has a useful life of 35 years and a value of $40,000. The roof of the administration office is estimated to have a useful life of 20 years and a value of $18,000.

The Association is currently only considering assets that have remaining useful lives of 30 years or less as part of the reserve funding calculation. The average remaining useful life of the assets captured in this calculation is 13 years.

The component method was used to determine the amount necessary to allocate to the fund annually. The total contribution necessary is based on the sum of the contributions for the individual components. Because it is highly unlikely that all the components will fail at one time, the study recommended that transfers to this fund be based on 70% of the value of the entire system.

Transfers were $89,500 in 2002 and $89,523 in 2001, to the Storm Drain and Selected Assets Fund. The fund balance for this fund was $1,588,662 on December 31, 2002 and $1,472,330 on December 31, 2001.

Equipment Reserve – In 1996, the Association approved the establishment of an Equipment Reserve Fund to help stabilize assessment rates in the years when major pieces of equipment would require replacement. The fund reserves 50 percent of the estimated future value of equipment costing more than $50,000. The assets in the fund consist of two street sweepers, a dump truck, a backhoe and a vacuum jetting truck. In 1997, the street sweepers were estimated to have remaining useful lives between 1 and 3 years, and estimated replacement costs of $80,000 each. The dump truck was estimated to have a remaining useful life of four years, and a replacement cost of $40,000. The backhoe and vacuum jetting truck were estimated to have remaining useful lives of five years, and estimated replacement costs of $60,000 and $120,000, respectively.

When calculating the funds required, the following assumptions were made – an inflation rate of three percent, an interest rate of 4.8% and a tax rate of 30 percent. In 2001, it was determined the accumulation of funds was enough to cover the expenditures included in this fund. A transfer of $58,497 was made to the operating in 2002. The fund balance of the Equipment Reserve Fund was $132,946 on December 31, 2002 and $188,529 on December 31, 2001.

Road Resurfacing – In 2001, the Association completed a study of roads and trails. The study included an engineering review of the costs associated with the cost to repair and resurface the components of this fund. It is estimated that the total cost of resurfacing the roads at one time would be $4,391,400. The pavement is estimated to have a useful life of 15 to 25 years depending on the road’s traffic. It is estimated the total cost of resurfacing the trails at one time would be $672,400 without root barriers. The pavement is estimated to have a useful life of 10 years without a root barrier and 20 years if a root barrier is used.

Until the trail renovation is complete the amount transferred to the fund will be an average of the amount necessary to cover the expenditures for the next three years. Transfers were $265,000 in 2002 and $300,000 in 2001. The fund balance for this fund was $513,058 on December 31, 2002 and $485,597 on December 31, 2001.
### Statements of Revenues & Expenses and Changes in Members’ Equity—Reserve Funds

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Storm Drain</th>
<th>Equip Reserve</th>
<th>Road/Trail</th>
<th>Reserve Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned</td>
<td>447</td>
<td>27,589</td>
<td>2,981</td>
<td>9,047</td>
<td>40,864</td>
<td>78,531</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>447</td>
<td>27,589</td>
<td>2,981</td>
<td>9,047</td>
<td>40,864</td>
<td>78,531</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public works</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>247,166</td>
<td>247,166</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>10</td>
<td>757</td>
<td>67</td>
<td>220</td>
<td>1,054</td>
<td>23,598</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10</td>
<td>757</td>
<td>67</td>
<td>247,386</td>
<td>248,220</td>
<td>55,843</td>
</tr>
<tr>
<td>Excess of revenues over (under) expenses</td>
<td>437</td>
<td>26,832</td>
<td>2,914</td>
<td>(237,539)</td>
<td>(207,356)</td>
<td>22,688</td>
</tr>
</tbody>
</table>

|                               |         |             |               |            |               |             |
| **Equity, January 1**         |         |             |               |            |               |             |
| Transfer of projects          | (41,597)| (41,597)    | (10,421)      |           |               |             |
| Restricted members’ contribution | 41,540 | 41,540      |               |            |               |             |
| Transfer to(from) repair & replacement funds | 89,500 | (58,497) | 265,000 | 296,003 | 389,523 |
| **Equity, December 31**       | $27,852 | $1,088,662 | $132,946      | $513,058   | $2,262,518    | $2,173,928  |

**NOTE** - The accompanying Notes to Financial Statements are an integral part of these financial statements.
Other Supplementary Information: Detailed Association and Yacht Club Financial Results

** Excludes equity in and results of operation of The Landings Company.
## Balance Sheets

### Operating Yacht Club

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Total Operating Reserve Funds</th>
<th>YC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td><strong>Operating</strong></td>
<td><strong>Club</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td>$1,187,430</td>
<td>$196,733</td>
<td>$1,384,163</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>$1,187,430</td>
<td>$196,733</td>
<td>$1,384,163</td>
</tr>
<tr>
<td>Cash held in escrow</td>
<td>$148,204</td>
<td>$148,204</td>
<td>$148,204</td>
</tr>
<tr>
<td>Certificates of deposit, escrow</td>
<td>$161,214</td>
<td>$161,214</td>
<td>$161,214</td>
</tr>
<tr>
<td>Assessments receivable, net of allowance for doubtful accounts of $4,300 in 2002 and $425,000 in 2001</td>
<td>$4,592</td>
<td>$4,592</td>
<td>$4,592</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>$768</td>
<td>$768</td>
<td>$768</td>
</tr>
<tr>
<td>Other accounts receivable, net of allowance for doubtful accounts of $10,000 in 2002 and in 2001</td>
<td>$148,204</td>
<td>$148,204</td>
<td>$148,204</td>
</tr>
<tr>
<td>Inventories</td>
<td>$45,939</td>
<td>$45,939</td>
<td>$45,939</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$50,921</td>
<td>$109,259</td>
<td>$109,259</td>
</tr>
<tr>
<td>Due from (to) other funds</td>
<td>$605</td>
<td>$605</td>
<td>$605</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,575,278</td>
<td>455,302</td>
<td>2,030,580</td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and equipment, net</td>
<td>$1,359,816</td>
<td>$2,924,031</td>
<td>$2,924,031</td>
</tr>
<tr>
<td><strong>Total Property, Plant and Equipment</strong></td>
<td>1,564,215</td>
<td>1,359,816</td>
<td>2,924,031</td>
</tr>
<tr>
<td>Long-term Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate of deposit, escrow</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Interfund receivable (payable)</td>
<td>$(454,795)</td>
<td>$(454,795)</td>
<td>$(454,795)</td>
</tr>
<tr>
<td>Other receivable</td>
<td>$26,270</td>
<td>$26,270</td>
<td>$26,270</td>
</tr>
<tr>
<td><strong>Total Long-term Assets</strong></td>
<td>$(328,425)</td>
<td>-</td>
<td>$(328,425)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$2,811,068</td>
<td>$1,815,118</td>
<td>$4,626,186</td>
</tr>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable &amp; accrued expenses</td>
<td>$21,947</td>
<td>$2,924,031</td>
<td>$2,924,031</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>$60,921</td>
<td>$60,921</td>
<td>$60,921</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$153,979</td>
<td>$153,979</td>
<td>$153,979</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$647,204</td>
<td>$271,847</td>
<td>$919,051</td>
</tr>
<tr>
<td><strong>Long-term Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$46,912</td>
<td>$46,912</td>
<td>$46,912</td>
</tr>
<tr>
<td><strong>Total Long-term Liabilities</strong></td>
<td>$820,385</td>
<td>$820,385</td>
<td>$820,385</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock ($1 par, 10,000 shares authorized, 100 shares issued and outstanding)</td>
<td>$2,163,864</td>
<td>$2,163,864</td>
<td>$2,163,864</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>$2,163,864</td>
<td>$2,163,864</td>
<td>$2,163,864</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,811,068</td>
<td>$1,815,118</td>
<td>$4,626,186</td>
</tr>
</tbody>
</table>

**NOTE**: The accompanying Notes to Financial Statements are an integral part of these financial statements.
## Statements of Revenues & Expenses and Changes in Members’ Equity

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Year ended December 31, 2002</th>
<th>Year ended December 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
<td>Yacht Club</td>
</tr>
<tr>
<td>Marina revenue</td>
<td>$1,872,368</td>
<td>$1,872,368</td>
</tr>
<tr>
<td>Service agreements</td>
<td>176,365</td>
<td>176,365</td>
</tr>
<tr>
<td>Vehicle registration</td>
<td>636,669</td>
<td>636,669</td>
</tr>
<tr>
<td>Architectural review fees</td>
<td>123,387</td>
<td>123,387</td>
</tr>
<tr>
<td>Interest earned</td>
<td>49,747</td>
<td>49,747</td>
</tr>
<tr>
<td>Cable contract fees</td>
<td>41,488</td>
<td>41,488</td>
</tr>
<tr>
<td>Storage yard leases</td>
<td>33,082</td>
<td>33,082</td>
</tr>
<tr>
<td>Telecommunications leases</td>
<td>45,884</td>
<td>45,884</td>
</tr>
<tr>
<td>Forfeited construction deposits</td>
<td>9,900</td>
<td>9,900</td>
</tr>
<tr>
<td>Other</td>
<td>72,916</td>
<td>72,916</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,706,941</strong></td>
<td><strong>1,872,368</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Year ended December 31, 2002</th>
<th>Year ended December 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
<td>Yacht Club</td>
</tr>
<tr>
<td>Public safety</td>
<td>942,328</td>
<td>942,328</td>
</tr>
<tr>
<td>Public works</td>
<td>1,937,626</td>
<td>1,937,626</td>
</tr>
<tr>
<td>Marina expenses</td>
<td>1,841,696</td>
<td>1,841,696</td>
</tr>
<tr>
<td>Architectural review</td>
<td>169,882</td>
<td>169,882</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>1,197,444</td>
<td>1,197,444</td>
</tr>
<tr>
<td>Special projects</td>
<td>44,341</td>
<td>44,341</td>
</tr>
<tr>
<td>Income taxes</td>
<td>22,697</td>
<td>22,697</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,314,518</strong></td>
<td><strong>1,841,696</strong></td>
</tr>
</tbody>
</table>

| Excess of revenues over (under) expenses | 392,423 | 30,672 | 423,095 | (207,356) | 215,739 | 533,965 | 65,966 | 599,931 |

| Equity, January 1 | 3,025,847 | (307,786) | 2,718,061 | 2,173,928 | 4,891,999 | 4,659,378 | (373,752) | 4,285,626 |
| Transfer of projects | 41,597 | 41,597 | 41,597 | - | - | - | - | - |
| Transfer of equity | 1,000,000 | 1,000,000 | - | - | - | - | - | - |
| Restricted members' contribution | - | - | - | - | - | - | - | - |
| Transfer to repair & replacement funds | (296,003) | (296,003) | (296,003) | - | - | - | - | - |
| **Equity, December 31** | **2,163,864** | **722,886** | **5,149,268** | **5,199,775** | **5,199,775** | **5,199,775** | **5,199,775** | **4,891,989** |

**NOTE**: The accompanying Notes to Financial Statements are an integral part of these financial statements.
Statements of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES:
Excess of revenues over (under) expenses
$392,423 $30,672 $423,095 $(207,356) $215,739 $533,965 $65,966 $599,931

Adjustments to reconcile excess of revenues over (under) expenses to net cash provided (used) by operating activities:
Depreciation
243,852 101,930 345,782 345,782
Loss on disposition of assets
1,497 - 1,497 1,497
Provision for doubtful accounts
1,757 - 1,757 -
Increase (decrease) in assessments receivable
(5,978) (5,978) (5,978) 3,303
Decrease in interest receivable
885 3,356 4,241 18,319
Increase (decrease) in other receivables
(12,706) 18,202 6,496 6,496 356,235
Decrease in inventories
3,780 3,780 3,780 30,020 12,020
Increase (decrease) in prepaid expenses
(18,981) (50,138) (63,662) (33,662) (152,720) (152,720)
Increase in escrow balances and deposits
4,070 4,070 4,070 288 288
Increase in accrued payroll and taxes withheld
25,256 14,715 39,971 39,971
Increase (decrease) in deferred revenues
10,925 10,925 10,925 (1,244) (1,244)
Changes in interfund balances
(548) (548) 548 -
Decrease in income taxes payable
(18,444) (24,525) (42,969) 42,969
Increase (decrease) in deferred expenses
10,925 10,925 10,925
Cash transfer to other funds
(288,067) (288,067) 288,067 288,067

Net cash provided by operating activities
192,605 118,243 310,848 91,575 402,423 877,646 223,312 1,100,958

CASH FLOWS FROM INVESTING ACTIVITIES:
Capital expenditures
(192,084) (115,897) (307,981) (33,662) (341,643) (152,720) (41,347) (194,067)
Proceeds from sale of short-term investments
20,688,324 20,688,324 19,612,705 42,440,000 42,440,000
Proceeds from sale of certificates of deposit
148,204 148,204 148,204 418,726 418,726
Purchase of short-term investments
(20,606,406) (20,606,406) (17,694,623) (38,301,029) (42,040,000) (42,040,000)
Purchase of certificates of deposit
(99,016) (99,016)
Purchase of long-term certificates of deposit
(100,000) (100,000)

Net cash provided (used) by investing activities
(61,962) (115,897) (177,859) 1,884,420 1,706,561 566,990 (41,347) 525,643

CASH FLOWS FROM FINANCING ACTIVITIES:
Repayments under long-term bank agreement
(1,078,185) (1,078,185) (1,078,185) 150,831 150,831
Borrowings under long-term agreements
500,000 500,000 500,000 500,000
Repayments under long-term agreements
(45,205) (45,205) 45,205 -
Cash transferred in merger
(1,000,000) (1,000,000)

Net cash provided (used) by financing activities
(545,205) (78,185) (623,390) (454,795) (150,831) (150,831)

Net cash used in financing activities
(545,205) (78,185) (623,390) (454,795) (150,831) (150,831)

Increase (decrease) in cash and cash equivalents
(414,562) (75,839) (490,401) (454,795) (1,078,185) - (150,831) (150,831)

Cash and cash equivalents, January 1
1,838,311 272,572 2,110,883 77,007 2,187,890 470,682 241,438 712,120

Cash and cash equivalents, December 31
$1,423,749 $196,733 $1,620,482 $1,598,207 $3,218,689 $1,915,318 $272,572 $2,187,890

Supplemental Disclosure of Cash Flow Information:
Cash paid during the year for interest by The Landings Association, Inc.
$34,238 $124,203
Cash paid during the year for taxes by The Landings Association, Inc.
86,621 82,347

Note: The accompanying Notes to Financial Statements are an integral part of these financial statements.