

MORGAN'S POINT RESORT

ECONOMIC DEVELOPMENT CORPORATION

(A NONPROFIT ORGANIZATION)

REPORT ON COMPILATION OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To Those Charged with Governance and Management of
Morgan's Point Resort Economic Development Corporation
Morgan's Point Resort, Texas

November 11, 2025

FINANCIAL STATEMENTS

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2025

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 218,585
TOTAL CURRENT ASSETS	<u>218,585</u>

TOTAL ASSETS	<u><u>218,585</u></u>
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LIABILITIES AND NET ASSETS

NET ASSETS

Without donor restriction	218,585
TOTAL NET ASSETS	<u>218,585</u>

TOTAL LIABILITES AND NET ASSETS	<u><u>\$ 218,585</u></u>
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MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Sales taxes	\$ 76,377	\$ -	\$ 76,377
Interest income	3,801	-	3,801
Net assets released from restriction:			
Satisfaction of program restrictions	-	-	-
TOTAL REVENUES AND OTHER SUPPORT	80,178	-	80,178
EXPENSES			
Program services	960	-	960
Administrative and general	2,858	-	2,858
TOTAL EXPENSES	3,818	-	3,818
CHANGE IN NET ASSETS	76,360	-	76,360
NET ASSETS, BEGINNING OF YEAR	142,225	-	142,225
NET ASSETS, END OF YEAR	\$ 218,585	\$ -	\$ 218,585

See Independent Accountant's Compilation Report and Notes to Financial Statements

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2025

	Program Services	Administrative and General	Total
EXPENSES			
Tiny Business Village	\$ 33	\$ -	\$ 33
Pop up events	443	-	443
Membership fees	-	295	295
Professional fees	-	2,445	2,445
Office expenses	-	15	15
Website and social media	484	-	484
Miscellaneous	-	103	103
TOTAL EXPENSES	\$ 960	\$ 2,858	\$ 3,818

See Independent Accountant's Compilation Report and Notes to Financial Statements

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales taxes	\$ 76,377
Cash received - other	3,801
Payments to vendors	<u>(3,818)</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>76,360</u>
CHANGE IN CASH AND CASH EQUIVALENTS	76,360
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>142,225</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 218,585</u></u>

See Independent Accountant's Compilation Report and Notes to Financial Statements

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025

NOTE 1. NATURE OF ORGANIZATION

Organization Background

Morgan's Point Resort Economic Development Corporation ("MPR EDC") is a public instrumentality, a non-profit corporation and organized as a tax-exempt corporation under Internal Revenue Code Section 501 (c) 4 and operates exclusively to promote the common good and general welfare of the people of Morgan's Point Resort, Texas as permitted under the Development Corporation Act of 1979 (Chapters 501 & 505 et seq. of the Texas Local Government Code). MPR EDC has a governing board that has been appointed by the Mayor and the City Council, who is accountable for the financial matters responsible to the City Council.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of MPR EDC have been prepared on the accrual basis of accounting and accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Balance Sheet Classifications

A one-year time period is used to classify all other current assets and liabilities.

Support and Expenses

Promises to give are recognized when a donor makes a promise to give to MPR EDC that is, in substance, unconditional. All other contributions are recognized as revenues when received. Expenses are recorded as incurred in accordance with the accrual basis of accounting.

Contributions received and unconditional promises to give are measured at their fair values and are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions, including contributions of long-lived assets, are considered by MPR EDC to be available for use unless specifically restricted by the donor. Net assets with donor restrictions are reclassified to net assets without restrictions upon satisfaction of the time or purpose restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are classified as net assets with donor restrictions and reclassified accordingly. Revenues from cost-reimbursement grants are recognized at the time the underlying expenditure is made.

Gifts of goods and equipment are recorded as net assets without restrictions unless explicit donor stipulations specify how the donated assets must be used, and absent donor stipulations about how long any long-lived assets must be maintained.

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025

MPR EDC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated professional services are recorded in the statement of activities at their fair values. No amounts have been reflected in the statements for other donated services in as much as the services did not require specialized skills and no objective basis is available to measure the value of such services.

Expense Recognition and Allocation

The cost of providing MPR EDC's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Indirect expenses have been allocated based on management estimates and other similar allocation methods.

Risk and Uncertainties

MPR EDC enters into contracts with vendors which have various terms and conditions. MPR EDC expects the risk from these contracts, if any, will be remote. MPR EDC has no current claims or losses in relation to these contracts.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, and highly liquid investments with original maturities of three months or less. For financial reporting purposes, certificates of deposit with original maturities of three months or less are classified as cash equivalents. Deposit accounts at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per account.

Use of Estimates

The preparation of the 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Such estimates include but are not limited to estimated losses on accounts receivable. Actual results could differ from those estimates. MPR EDC periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term, within one year, that would affect MPR EDC's estimates with respect to allowance for doubtful accounts and accrued expenses.

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025

Concentrations of Credit Risk

Financial instruments that potentially subject MPR EDC to credit risk include cash on deposits with a financial institution if they exceed \$250,000, the FDIC insured limits.

Tax Status

MPR EDC is a nonprofit corporation organized under the laws of the State of Texas and has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. Accordingly, MPR EDC is not subject to federal or state income taxes on income related to its exempt purposes.

MPR EDC may, however, be subject to tax on income from activities that are not related to its exempt purpose (unrelated business income). No provision for income taxes has been made in the accompanying financial statements, as management has determined there was no material unrelated business taxable income for the year ended September 30, 2025.

Management evaluates all tax positions in accordance with FASB ASC Topic 740, Income Taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has concluded that there are no uncertain tax positions that would require recognition or disclosure in the financial statements. MPR EDC's federal and state income tax returns for the fiscal years 2022, 2023, 2024 remain subject to examination by the Internal Revenue Service and state taxing authorities.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of MPR EDC, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period.

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025

Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; MPR EDC must continue to use the resources in accordance with the donor's instructions.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Advertising Costs

Advertising costs are expensed as incurred.

Uncollectible Accounts Receivable

Receivables are reviewed annually for collectability. In the event a receivable is not collectible the amounts are charged off to the allowance for doubtful accounts established by expensing to bad debt expense.

Contract Asset and Contract Liability Disclosures

Contract assets — Contract assets include unbilled amounts typically resulting from sales under contracts when revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. The amounts may not exceed their estimated net realizable value. Contract assets are classified as current based on the contract operating cycle.

Contract liabilities — Contract liabilities (formerly referred to as customer advances and amounts in excess of costs incurred) include advance payments and billings in excess of revenue recognized. Contract liabilities are classified as current based on the contract operating cycle and reported on a contract-by-contract basis, net of revenue recognized, at the end of each reporting period.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration MPR EDC expects to receive in exchange for those products or services. MPR EDC enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

MORGAN'S POINT RESORT ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025

Significant Judgments

Judgment is required to determine the Stand-alone Selling Prices (SSP) for each distinct performance obligation. MPR EDC uses a single amount to estimate SSP for items that are not sold separately. In instances where SSP is not directly observable, such as when MPR EDC does not sell the product or service separately, MPR EDC determines the SSP using information that may include market conditions and other observable inputs.

Process

The process for achieving the core revenue recognition principle can be broken down into five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies the performance obligation.

NOTE 3. CONCENTRATION OF RISK

MPR EDC's projects are significantly funded by sales tax. Therefore, MPR EDC's ability to generate resources via sales tax is dependent upon the economic health of the City of Morgan's Point Resort, Texas.

NOTE 4. LIQUIDITY AND AVAILABILITY OF RESOURCES

MPR EDC maintains financial assets available to meet cash needs for general expenditure within one year of the statement of financial position date. As of September 30, 2025, financial assets available for general use totaled approximately \$218,585.

MPR EDC has a goal to maintain financial assets on hand to meet at least sixty (60) days of normal operating expenses, which are, on average, approximately \$35,932. MPR EDC structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.