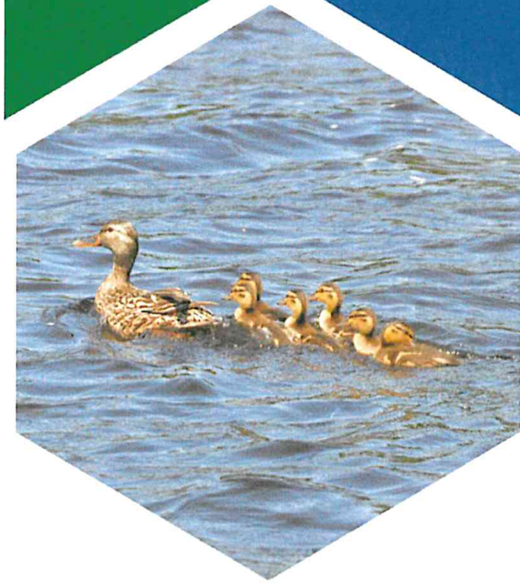

LAKE ARROWHEAD
COMMUNITY, INC.

2026 ANNUAL REPORT

PRESENTED AT THE ANNUAL MEETING

AUGUST 1, 2026

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<u>WARRANT</u>

2026 Annual Membership Meeting
Lake Arrowhead Community, Inc.
Clubhouse 2
206 Old Portland Road, No. Waterboro, Maine

August 1, 2026, at 9:00 a.m.

In accordance with Article II, Sections 3 and 5 of the By-laws of Lake Arrowhead Community, Inc., the Board of Trustees hereby gives notice that the annual membership meeting of the Corporation will be held at Clubhouse 2, 206 Old Portland Road, No. Waterboro, Maine at 9:00 a.m. to conduct the business of the Corporation as stated in this Warrant.

Members of the Corporation are requested to be present to act on the business at hand.

Please note that ballots are due no later than 9:30 a.m. on the day of the meeting.

The ballots must be returned in the special pre-addressed envelope provided for this purpose. **The pre-addressed envelope must be signed along with your name and lot number noted in the appropriate place on the back of the envelope.** Envelopes returned without this information will be declared invalid. Ballots sent through the mail must arrive on or before July 31, 2026, one business day before the meeting. Mailed ballots received after this date will be declared invalid.

Your ballot envelope may also be placed in the ballot box located in the LAC office by July 31, 2026, or delivered to the Clerk in person at the ballot box no later than 9:30 a.m., August 1, 2026, the day of the meeting.

Action on Articles 2 through 8 will take place at the open portion of the meeting on August 1, 2026.

Article 1	Election of three (3) trustees for a term of three (3) years. (Vote by secret ballot).
Article 2	Approval of the minutes of the Annual Meeting of the Corp. held on Aug. 2, 2025.
Article 3	Hear and accept Auditor's Report.
Article 4	Ratification of selection of public accountants for the Fiscal Year.
Article 5	Hear Officers and Committee Reports.
Article 6	Hear Member's concerns.
Article 7	Special Announcements.
Article 8	Adjournment.

ANNUAL MEETING
SATURDAY, August 2, 2025, AT
9:00 A.M. CLUBHOUSE 2

PRESENT: President Alan Martel, Vice-President Michael Fitzpatrick, Trustee Phil Oreto, Trustee Rob Berger, Trustee Spike Ross-Corbett, Trustee Scott Sanfason, Trustee Carrie Besen-Reinhart, Public Works Supervisor David Cameron, Security Officer Carol Carey and Amy Harris, Director of Finance and Administration
CALL TO ORDER: The meeting was called to order at 9:04 a.m., President Alan Martel announced a Quorum, Trustees introduced themselves to the attending members.
APPROVAL OF MINUTES - MOTION: Trustee Phil Oreto moved to approve the August 2024 Annual Meeting Minutes as presented. Seconded by Vice-President Fitzpatrick. **The motion passed unanimously.**
AUDITORS REPORT
Jason Leblanc with Albin, Randall & Bennett Reported:

- After a two-week audit process, LAC procedures were found to be standard with no issues.
- The balance sheet remains strong.
- An operational surplus has been dedicated to future reserves and capital improvements.
- LAC remains a financially healthy organization.

MOTION: Vice-President Fitzpatrick moved to accept the Auditors Report as presented. Seconded by Trustee Scott Sanfason. **The motion passed unanimously.**
MOTION: Vice-President Fitzpatrick moved to continue utilizing Aldin, Bennett, and Randall as LAC's accounting firm. Seconded by Trustee Scott Sanfason. **The motion passed unanimously**.

ATTORNEY'S REPORT
Michael Traister with Murray, Plumb & Murray Reported:

- It has been a relatively quiet year, reflecting strong stewardship by the Board.
- Monitored potential lot sales by the Town of Limerick.
- Addressed questions regarding Saco River Corridor Commission regulations.
- No major issues this year.

PRESIDENT'S REPORT
President Alan Martel Reported:

- Special recognition to past President Dave Sanfason (20 years, 15 as President) and former Treasurer George Fowler (16 years).
- Infrastructure continues to improve; the Public Works Crew is fully staffed and will be more experienced for the upcoming winter season, ensuring smoother operations.
- The Board has many new, engaged members, with community participation increasing.
- The lake condition is excellent thanks to Mike Fitzpatrick's team, setting a "gold standard" for other lakes.
- The building boom is both an opportunity and challenge; impact fees are reserved for reinvestment.
- Production Well No. 3 is underway with expected completion in six months. Two apprentice operators are training, reducing reliance on the Water Office.

TREASURER'S REPORT
Scott Sanfason Reported:

- Financial health remains strong, as verified by the auditors.
- Completion of Production Well No. 3 is a top priority.
- Careful planning continues to support infrastructure without frequent dues increases.
- Operating margins are tight, requiring careful oversight.

COMMITTEE REPORTS

Water

President Alan Martel reported that we are currently waiting on an estimate for a bank loan for the remainder of the Production Well No. 3 Project. We should hear back within the next few weeks.

Lake Improvement

Vice-President Michael Fitzpatrick reported:

- DEP will be coming out to treat Niad. This would not be possible without the hard work of the PALZ team. The treatment areas have been identified by them, which enables DEP to treat accordingly.
- We are pushing for another Procellacor treatment for the Lake.
- The Lake is in really good shape, and we continue to improve. There is no date yet for the milfoil treatment, but we should hear shortly.
- The battle is far from over. The lake continues to improve, but it will take some time. Please continue to support LACC, as it helps fund the improvements to the lake.

VOTING RESULTS:

President Alan Martel Reported:

There were three spots open to be filled this year; however, George Fowler retired after the ballots had gone out, which leaves another vacant spot. Additionally, Randy Robinson left the Board as he purchased a home outside of Lake Arrowhead.

- Scott Sanfason (3-year term)
- Spike Ross-Corbett (3-year term)
- Nanette Walton (3-year term)
- Dylan Francis (2-year term)

Real Estate

Trustee Rob Berger Reported:

- There are two programs that the State of Maine offers. One is a tax relief program, and the other is for seniors – if you meet the criteria.
- There is the possibility of Limerick amending a growth ordinance. They want to control this, so it does not become a burden to the town. There is also a thought of a moratorium on larger development so the town can get ahead of the process. Check the town's web page for information.
- Interesting fact – The Texas Rangers came up to the Sheriff's department because we had incarcerated two men that were being tried in Texas for mass murder.

Road

Trustee Spike Ross-Corbett reported: A large initiative is investing in our equipment and infrastructure. Dave and his crew have been great at being proactive as opposed to the past reactive efforts of our crew.

Scholarship

Trustee Carrie Bessen-Reinart reported: Every year some of our young members submit an essay for selection of our Annual Scholarship. We were able to choose an essay from Riley Wright. Riley will be attending SMCC to study Paramedicine to be a Firefighter/Paramedic. Thank you, Riley, and we wish you the best on your academic journey.

Recreation

Trustee Spike Ross-Corbett reported:

- The goal of the Recreation Committee is to bring the community together with events, such as Trivia night, Community Clean Up, the 4th of July Boat Parade/Barbeque, Pickle Ball Clinics, etc.

- Moving forward, we will be focusing on making improvements to the existing tennis courts.
- Garden Club: Carol Carey thanked the Waltons for their donations of blueberry bushes and mulch. Thanks to the volunteers that help make Arrowhead so beautiful!
- Upcoming events
    - August 22 Trivia Night
    - August 31, Ice Cream Social
    - October 18, 50th Anniversary of Lake Arrowhead celebration

President Martel made special mention about the Boat Parade and Barbeque success and commended all the hard work and effort put in, which in turn, saw a big participation from the community. Also, the efforts and results of the 2025 Easter Egg hunt were an immense success. These events promise that our community will come closer together for our next generation.

12th Annual Tom Sotir Volunteer Award
Trustee Spike Ross-Corbett presented Shannon Berger with this year's Tom Sotir Volunteer Award, her involvement and efforts put into every event are well appreciated.

Special Appreciation to Amy Harris for 20 years of dedicated service to Lake Arrowhead Community, Inc.

MEMBERS CONCERNS
Dave Wright, Lot 1459: Would Lake Arrowhead consider a dock system or mooring system for those members in the community that have boats, but no waterfront? Response by Vice-President Michael Fitzpatrick – A marina was in the original plans for Lake Arrowhead down by the Little Ossipee Lake Feed. When the DEP discovered Milfoil, we were asked to shut down all the boat ramps. At that time, the Board decided to shut down that marina and previous boards voted against this due to many factors.

Robert Zier, Lot 1667: Commented that the annual dues go up less than the cost of living every year. And said "The greatest compliment I ever got was when my great-granddaughter said. "Why does this water taste so good?'"

Anne Applin, Lot 1563: Beach 5, Love Lane, has yet to be cleaned from the storm last year.

Joanne Canane, Lot 1323: Stated that there is an RV on the undeveloped lot next to my property and was checking what the process is to get it off the property. Response by President Alan Martel; The Board received your information and sent a violation letter. We are aware of the situation and are dealing with it.

Michelle McCormick, Lot 1429: Requested a Crescent Drive update. President Alan Martel referenced Page 10 of the Annual Report. After the most recent Water Committee Meeting, it was decided that we are going to move forward with temporary water service to cut down on the time the water is shut off, and the project will start just after Labor Day.

Sharie Sparrow, Lot 1403: Is looking for help with getting familiar with the neighborhood. Trustee Carrie Besen-Reinart responded with the upcoming text alert system will be helpful and encouraged people to sign up when implemented. Also suggested to go into the office for a "Welcome Packet," which includes a multitude of information.

Louanne Romaneck, Lot 1025: Thanks to the DASH boats, for cleaning our cove. The lake looks great, but the water is so low, what is the issue? Vice -President Mike Fitzpatrick responded that Eagle Creek needs to keep compliant with certain regulations. This has been a dry season, and it is not a spring-fed lake, so that also affects the levels.

Sue Feoli, LACC Member: Someone hit the sign at the end of Raptor Ridge and took it. President Alan Martel stated to call the office with issues such as this, as we have 52 miles of roads, and our crew will only know about these issues if reported.

Mark Cartisano, Lot 0982: Members of PALZ paddle every week and are in need of more paddlers, he would like to encourage attendees to get involved.

The meeting adjourned at 10:26 am.
Meg Exley, Recording Secretary

PRESIDENT'S MESSAGE

This past year has been another year of steady progress for Lake Arrowhead Community. While there is always more work to do, I am proud of what our staff, committees, and Board have accomplished together.

Equipment

Over the past year, we have continued investing in our Public Works equipment. With the addition of new trucks, tractors, and other equipment, we have significantly improved the overall age and reliability of our fleet. These investments reduce downtime, improve efficiency, and allow our crew to better serve the community.

Roads

Our Public Works Crew has made significant improvements to our road system. In addition to regular grading and maintenance, they have completed extensive ditching projects and widened roadways in key areas to improve drainage, safety, and long-term road conditions.

Public Works Crew

One of our greatest assets is our staff. We have built a team that works well together, supports one another, and continues to gain valuable experience each year. Their dedication and teamwork are reflected in the quality of work being completed throughout the community.

Water System

One of the most significant accomplishments this year has been the near completion of Production Well No. 3. This project represents an investment in the future of Lake Arrowhead and will help provide a reliable water supply for generations to come while adding important redundancy to our existing system.

We have also continued upgrading aging infrastructure by replacing water mains, improving sections of the distribution system, and updating our water system mapping to better support future maintenance and planning. Key areas throughout the community will continue to be addressed as we move forward.

Notable accomplishments this year include the completion of the Crescent Drive water main improvements on both sides of the road and permanently taking the old Caribou pump house offline, an issue that had been identified as a concern for many years.

Looking Ahead

Lake Arrowhead Community remains in a strong position. We continue to invest in our infrastructure, maintain our facilities, and make thoughtful improvements that will benefit our members for years to come.

The overall state of Lake Arrowhead is outstanding, and I would like to thank our employees, volunteers, committee members, and fellow Trustees for their continued dedication and hard work. Together, we are building a stronger community for today and for future generations.

Alan W. Martel, President

TREASURER'S REPORT

As we enter the new year, I am pleased to report that Lake Arrowhead Community remains in a strong financial position. Through prudent budgeting, responsible oversight, and careful long-term planning, we have continued to maintain the financial stability necessary to support both our daily operations and future capital investments.

Throughout the past year, the Board remained committed to balancing fiscal responsibility with the needs of our community. We continued investing in critical infrastructure, equipment, and maintenance projects while preserving the financial strength that allows us to respond to future challenges and opportunities.

Our reserves remain healthy, providing an important safeguard for unexpected expenses while supporting planned improvements to our roads, water system, and community assets. Careful financial management has enabled us to make meaningful investments without compromising the long-term financial health of the Association.

The completion of major projects, including Production Well No. 3 and continued equipment replacement, represents not only an investment in our infrastructure but also a commitment to responsible financial stewardship. These improvements are being made from a long-term perspective, ensuring that today's investments will benefit our members for many years to come.

As Treasurer, I appreciate the diligence of our staff and fellow Trustees in monitoring expenses, evaluating priorities, and making thoughtful financial decisions throughout the year. Their collaborative approach has helped ensure that Lake Arrowhead remains financially sound while continuing to improve the services and amenities our members expect.

Looking ahead, we will continue to focus on maintaining strong financial reserves, investing wisely in our infrastructure, and managing Association resources responsibly. With continued careful planning and disciplined financial management, Lake Arrowhead is well positioned to meet the needs of today while preparing for the opportunities and challenges of tomorrow.

Thank you to our members for your continued support and confidence. Together, we are ensuring that Lake Arrowhead Community remains a financially strong and vibrant place to live, recreate, and enjoy for generations to come.

Scott Sanfason, Treasurer

LAKE IMPROVEMENT COMMITTEE

Happy Summer, Everyone,

2026 has been an interesting year for LACC beginning with our initial meeting with the DEP this spring. They quickly informed us that no herbicidal treatments are planned for the Summer of 2026. The DEP wants a full survey completed on Lake Arrowhead of all previously treated areas over the past three summers in conjunction with our PALZ Team.

This new survey plan includes our DASH team towing our divers underwater behind the Harvester in deeper water that is not visible by kayaking. This is a contracted activity between LACC and the DEP to complete during the period leading up to Naiad turning to seed, approximately a six-week period. From Father's Day on, the DASH Team has been working on a significant identified regrowth area in the Brown Brook by the entrance closest to Enterprise Rd. Additional work was directed by the DEP to take place in BAY Cove.

Summer of 25 Treatments:

The areas treated over the past summer have shown nothing but positive results to date

The DEP treated Naiad in Lake Arrowhead discovered by the PALZ team in the area we call Cartisano Cove. This cove was heavily infested with VLM as well so the Aqua Strike treatment for Naiad impacted the milfoil as well.

The third ProcellaCOR treatment began midway down the Little Ossipee River feed along Rte. 5 where the bridge crosses into Limerick. The length of that stretch and into the basin area and around Woodsome Island was the area treated totaling 112 acres. LACC wrote the check for this treatment. Your organization spent just under $70,000.00 to pay for that last treatment.

LACC Member dues; fundraising via the Golf Tournament, Fishing Tournaments and 50/50 Raffle; LAC support; and the towns of Waterboro and Limerick grant donations are the primary funding sources for our annual revenue. We need our LACC Membership to grow to continue these funding treatments as the DEP has appeared to stop funding our VLM Herbicidal treatments and insist we continue with an active DASH program.

Speaking of fundraising efforts, the annual LACC/LAC Golf Tournament run by LAC/LACC trustee, Phil Oreto resulted in an all-time high in its donation to LACC. In the friendly competition to be the number #1 fundraiser for LACC, I want to remind everyone to support our fantastic 50/50 Raffle which is run by Tracie Doyle on behalf of LACC. Tracie has tickets available as I write!! Hopefully, all will be gone by the annual meeting!

Hopefully, everyone is getting the understanding that future herbicidal treatments are only possible if we all continue to support LACC with annual membership and participation in fundraising events. Enjoy the rest of your summer!

See you on the lake.
Mike Fitzpatrick
LACC President
LAC Vice-President

REAL ESTATE COMMITTEE

Thank you to all our LAC Community Members for another successful year.

LAC has received 16 new building permits since August 2025.

The Town of Limerick has approximately 150 lots that have been forfeited, taken for back taxes, or taken for other reasons. These parcels will be given to a realtor(s) and put out for sale. It is anticipated that approximately 12 lots per year will be sold by the Town of Limerick. Parcels with no access to available potable water or on a “paper road” will not be put up for sale.

The LAC Real Estate Committee now has representation on the Limerick-LAC Town Committee for dealing with Town owned lots.

The home in substantial disrepair at 3 Division Road has been sold and under extreme makeover! I am happy to report that it looks great!

The LAC Real Estate Committee continues to monitor real estate sales and development throughout the LAC Community. Our office staff has a keen eye on the goings-on throughout our beautiful community and provides excellent communication to potential and new developers and new homeowners.

If you have any real estate-related concerns, please reach out to our LAC office and they will forward any concerns to my attention or come to our monthly meetings. We appreciate neighbor participation at our meetings.

Warmest regards

Rob Berger, Chair

RECREATION COMMITTEE

Thank you to all our LAC Community Members for another successful year for our Rec. Committee Activities.

I need to first and foremost thank Spike Ross-Corbett and Carrie Besen-Reinhart for leading the way for the Rec. Committee over the past few years. I hope to keep the tradition of fun and excitement going forward into the future. An additional thank you to Shannon Berger who has been the backbone of the Rec. Committee for everyone!!

We have been graced with many volunteers that help to make all our events a complete success. There are so many to mention!! A special thank you goes out to all our volunteers. We can't do it without you!! A few key Rec. Committee events include, but are not limited to:

- Easter Egg Hunt (over 1,000 Easter Eggs were collected by the kids)
- Pancake Breakfast with Santa was so much fun for all! Santa is already preparing for December 5, 2026. The Elves are also involved!
- Trivia Night....Wow, so much fun and great prizes. Please send us your requests for categories for future questions. Next Trivia Night is August 14, 2026. 6:30 pm start. Tell your friends and loved ones! BYOB!
- New event this year was the Chili Cook-Off. Congrats to Justin Goulet for a job well done on winning the inaugural event.
- The Boat Parade and Cookout on July 4th. What an awesome tradition. The event showed great creativity, participation, and excitement by folks on the water and on the beach. Great time had by all! Our volunteers made it a success. Thank you to the neighborhood around Beach Two for graciously accepting our visit by so many people.
- The Ice Cream Social on Labor Day Weekend is approaching!

The Rec. Committee is currently in the early stages of assessing the condition and use of our tennis courts and use as pickle ball courts. We have had excellent input from our community tennis players. The LAC Board is evaluating the input along with our Public Works Manager, Dave.

The Garden Club is an anchor of the community and has many years of experience beautifying our public areas. Thank you!!

Special Congrats to James Mikulski in receiving the Tom Sotir Volunteer Award this year. James is always first to volunteer, always has a kind word, and attends all our Board Meetings.

We are always open to suggestions!! Please reach out and attend our LAC Board Meetings!!

Warmest regards

Rob Berger, Chair

EQUIPMENT COMMITTEE

LAC's equipment has an important job of keeping the workhorses of our community operational so that all the roads, water and recreational components of our community operate smoothly.

This year we took a hard look at our inventory of equipment including all trucks, trailers, and heavy equipment. Part of the process is to determine each item's status and importance to the purpose of keeping the roads plowed and graded, water lines operational and amenities functional.

There were two trucks that we determined were no longer serving the community to their full capabilities. We sold one of the Ford F550's that had become too costly to continue to maintain. We also sold the Western Star dump truck as it was not being used enough to warrant keeping it when it had equity in it. As replacements, we have acquired a low mileage, well-maintained Ford F350 and a new Chevy 2500. The Chevy is set up with a service box to hold all the tools required to work on the water infrastructure when needed. This makes the response to broken water lines more efficient.

We purchased a tractor this year that will help keep the roads maintained by doing "spot" repairs and removing rocks after the grader has done a full road rehab.

The crew continues to demo loaners from equipment dealers trying to see what additional tools will help keep the community running. Thank you, Dave and the Crew!

Nanette Walton, Chair

LAKE ARROWHEAD COMMUNITY SCHOLARSHIP

In 2018, Lake Arrowhead Community initiated an educational scholarship offering $1,000.00 to support the education of a child, grandchild, stepchild, or step-grandchild of a community member in good standing, for a secondary form of study. This year, LAC received an impressive response with five applicants. The Independent Scholarship Review Committee thoroughly enjoyed reading each essay received, finding it rewarding to hear from the young community members.

The Lake Arrowhead Community proudly presents the 9th Annual LAC Scholarship to Cambria Capici, daughter of member owner of Lot 1538.

Cambria will share her essay with us today as we wish her the best on her academic journey.

Growing up by the lake, I would sit on the dock and let the small waves from passing boats crash against my ankles. Some days, my feet would dangle above the water, not even close to touching it. Other days, the water would rise almost to my knees. Curious, I once asked my dad why this happened, and he explained the role of the dam and how water levels naturally rise and fall. I found this fascinating and over time, I used it as a metaphor for my own life.

Like the lake, I have experienced both highs and lows. I've had moments of success, earning good grades, receiving awards, and building meaningful friendships. But I've also faced challenges. I've lost people close to me and, at times, felt like I lost myself. Still, just like the water, I've always found a way to rise again.

During low times, I often think back to the lake. I think of the days when my feet couldn't reach the water, and, more importantly, the days when the water rose to meet me. If the lake could rise again, I believe that I can too.

For me, Lake Arrowhead is more than just a lake or a home. It is a source of hope. It has taught me that life's ups and downs are not only not avoidable but natural and that, no matter how low things may feel, there is always the possibility to rise again.

For further information regarding the Lake Arrowhead Community Scholarship, please visit the LAC Community website. Looking forward to reviewing even more applicants in Spring 2027!

Dylan Francis, Chair

COMMUNICATIONS COMMITTEE

Our inaugural year as the Communications Committee has been focused on strengthening the systems that connect our staff, our amenities, and our membership. From optimizing existing communication channels to introducing new digital tools, our goal has been to make information easier to access and to support the efficiency of our operations team.

This year we expanded our texting platform and introduced digital waivers for amenity use. The release of our Amenity Waiver marks a significant step forward in transitioning away from paper sign-ins and physical forms stored in the clubhouses. Moving these processes online improves record-keeping, reduces administrative workload, and creates a smoother experience for residents who use our amenities.

We also launched our Community Reporting Form. This tool was designed not to replace direct communication with staff, but to empower the "small but mighty army" that is our membership. With more than 50 miles of road and a lean operations team, we rely heavily on residents to report issues as they see them. In the first month alone, the form received 28 submissions, most of which were addressed the following business day. This demonstrates how meaningful community participation can be when paired with efficient digital tools.

These improvements may appear incremental, but across a property owners association of our size, they create a substantial impact. Modernizing our communication pathways helps us operate more effectively and ensures that residents receive timely, accurate information. As someone who regularly uses our amenities and walks the association, I see firsthand how each of us contributes to keeping our community safe, tidy, and something we can all be proud of.

The committee will continue to evolve, but my commitment to effective, transparent, and modern communication remains constant. If you have ideas, feedback, or simply want to discuss possibilities, I encourage you to join us at any of our monthly meetings.

Dylan Francis, Chair

Albin
Randall
& Bennett

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lake Arrowhead Community, Inc.:

Opinion

We have audited the accompanying financial statements of Lake Arrowhead Community, Inc. (the Community) which comprise the balance sheets as of April 30, 2026 and 2025, and the related statements of revenues and expenses, changes in membership equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Arrowhead Community, Inc. as of April 30, 2026 and 2025 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on Future Major Repairs and Replacements on Page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Financial Statements section of our report. We are required to be independent of Lake Arrowhead Community, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 U.S. 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Arrowhead Community, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Arrowhead Community, Inc.'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.

Other information included in the Organization's Annual Report

Management is responsible for the other information included in the Community's Annual Report. The other information comprises management and governance discussion and analysis but it does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Albin, Randall + Bennett

July 22, 2026

LAKE ARROWHEAD COMMUNITY, INC.

BALANCE SHEETS

APRIL 30, 2026 AND 2025

ASSETS

	2026	2025
CURRENT ASSETS:		
Cash and temporary cash investments	$ 77,905	276,881
Cash - future reserve fund	475,000	475,000
Cash - designated operating surplus funds	467,399	415,452
Total cash and cash equivalents	1,020,304	1,167,333
Membership receivables, net of allowance for credit losses of $188,080 and $218,028	98,937	119,629
Short-term investments	292,083	283,026
Inventory	47,780	71,091
Prepaid expenses	12,775	11,991
Total current assets	1,471,879	1,653,070
PROPERTY AND EQUIPMENT:		
Land	299,339	299,339
Roads	1,464,038	1,410,757
Buildings and improvements	1,529,388	1,514,388
Water system	3,724,087	3,619,077
Motor vehicles	1,560,605	1,827,701
Tools and equipment	530,257	480,913
Furniture and fixtures	156,583	154,623
Construction in progress	564,931	307,881
	9,829,228	9,614,679
Less accumulated depreciation	7,101,247	7,117,276
Net property and equipment	2,727,981	2,497,403
	$ 4,199,860	4,150,473

LAKE ARROWHEAD COMMUNITY, INC.

BALANCE SHEETS, CONTINUED

APRIL 30, 2026 AND 2025

LIABILITIES AND MEMBERSHIP EQUITY

	2026	2025
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 33,062	51,906
Accounts payable	36,037	49,982
Accrued expenses	28,227	23,078
Deferred revenue	318,498	498,838
Total current liabilities	415,824	623,804
LONG-TERM DEBT, net of current portion	75,532	81,919
MEMBERSHIP EQUITY:		
Contributed capital	1,186,700	1,186,700
Retained earnings	1,579,405	1,367,598
Board-designated funds	467,399	415,452
Future reserve fund	475,000	475,000
Total membership equity	3,708,504	3,444,750
	$ 4,199,860	4,150,473

See accompanying independent auditors' report and notes to financial statements.

LAKE ARROWHEAD COMMUNITY, INC.

STATEMENTS OF REVENUES AND EXPENSES

YEARS ENDED APRIL 30, 2026 AND 2025

	2026	2025
REVENUES:		
Membership dues	$ 2,018,020	1,913,187
Member revenue	91,629	96,584
New building fees	279,955	357,862
Other revenue	25,048	20,849
Interest income	11,244	16,094
Total revenues	2,425,896	2,404,576
EXPENSES:		
Amenities	57,971	28,789
Depreciation	415,292	400,128
Donations	20,000	20,000
Employee benefits	101,114	97,560
Employee education and travel	3,216	3,269
Fuel and oil	48,704	55,802
Heat and electricity	171,550	144,925
Insurance	163,626	151,333
Interest	4,961	7,356
Maintenance - roads and beaches	52,279	107,252
Maintenance - vehicles	136,018	144,557
Meetings and memberships	3,789	3,520
Miscellaneous	2,187	1,262
Office and administrative	74,627	62,385
Payroll taxes	68,911	57,046
Pension	13,433	13,575
Professional services	56,973	62,691
Property and excise taxes	15,593	20,158
Salaries and wages	664,590	693,208
Telephone and internet	22,787	19,901
Trustees' expenses	10,600	5,735
Uncollectible member receivables	-	35,332
Water system	166,199	90,884
Total expenses	2,274,420	2,226,668
NON-OPERATING INCOME:		
Gain on disposal of property and equipment	112,278	27,797
Gain on sale of land	-	7,575
Total non-operating income	112,278	35,372
Excess of revenues and non-operating income over expenses	$ 263,754	213,280

See accompanying independent auditors' report and notes to financial statements.

LAKE ARROWHEAD COMMUNITY, INC.

STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY

YEARS ENDED APRIL 30, 2026 AND 2025

	Contributed capital	Retained earnings	Board-designated funds	Future reserve fund	Total
Membership equity at April 30, 2024	$ 1,186,700	1,240,302	304,468	500,000	3,231,470
Excess of revenues over expenses	-	213,280	-	-	213,280
Expenditures of board-designated funds	-	495,353	(305,304)	(190,049)	-
Appropriation of retained earnings for board-designated funds	-	(581,337)	416,288	165,049	-
Membership equity at April 30, 2025	1,186,700	1,367,598	415,452	475,000	3,444,750
Excess of revenues over expenses	-	263,754	-	-	263,754
Expenditures of board-designated funds	-	572,237	(349,758)	(222,479)	-
Appropriation of retained earnings for board-designated funds	-	(624,184)	401,705	222,479	-
Membership equity at April 30, 2026	$ 1,186,700	1,579,405	467,399	475,000	3,708,504

LAKE ARROWHEAD COMMUNITY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2026 AND 2025

	2026	2025
OPERATING ACTIVITIES:		
Excess of revenues and non-operating income over expenses	$ 263,754	213,280
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	415,292	400,128
Gain on disposal of property and equipment	(112,278)	(27,797)
Gain on sale of land inventory	-	(7,575)
Change in allowance for credit losses	(29,948)	15,833
Change in current assets and liabilities:		
Membership receivables	50,640	(27,126)
Inventory	23,311	(993)
Prepaid expenses	(784)	(1,513)
Accounts payable	(13,945)	49,809
Accrued expenses	5,149	(3,487)
Deferred revenue	(180,340)	286,125
Net cash provided by operating activities	420,851	896,684
INVESTING ACTIVITIES:		
Proceeds from sale of land inventory	-	10,000
Proceeds from disposal of property and equipment	153,500	77,513
Purchases of short-term investments	(292,083)	(283,026)
Proceeds from maturity of short-term investments	283,026	269,913
Purchases of property and equipment	(628,210)	(500,121)
Net cash used by investing activities	(483,767)	(425,721)
FINANCING ACTIVITY - Repayments of long-term debt	(84,113)	(67,157)
(Decrease) increase in cash and cash equivalents	(147,029)	403,806
Cash and cash equivalents and restricted cash at beginning of year	1,167,333	763,527
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 1,020,304	1,167,333
COMPOSITION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR:		
Cash and temporary cash investments	$ 77,905	276,881
Cash restricted for future reserve fund	475,000	475,000
Cash designated for operating surplus funds	467,399	415,452
	$ 1,020,304	1,167,333

See accompanying independent auditors' report and notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Lake Arrowhead Community, Inc. (the Community) is located in Limerick and North Waterboro, Maine. Membership is comprised of approximately 1,500 members, all owners of lots in the Community which encompasses 2,600 acres of land and 1,100 acres of water. Members pay annual fees to the Community in return for the administration of common services and the maintenance of common facilities in the Community. Additional fees are assessed for water hook-up, building permits, fines, and service charges.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - The Community considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Early Adoption of ASC Topic 326 "Financial Instruments-Credit Losses" - During the year ended April 30, 2026, the Community early adopted the practical expedient introduced by Accounting Standards Update (ASU) 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This expedient permits entities to estimate expected credit losses on current accounts receivable and contract assets arising from transactions within the scope of ASC 606, *Revenue from Contracts with Customers*, without incorporating macroeconomic forecasts about future conditions.

In electing this expedient, the Community estimated 2026 expected credit losses based on conditions existing as of the balance sheet date and assumed those conditions would persist over the remaining life of the assets. Accordingly, macroeconomic forecasts beyond current conditions as of April 30, 2026 were not considered. The adoption of the practical expedient did not have a material impact.

Membership receivables - Membership receivables are stated at the balance of unpaid dues, including interest and late fees, less an allowance for credit losses. Membership assessments are billed annually at the beginning of the fiscal year; accordingly, balances receivable at year-end are all in arrears. In order to collect unpaid membership dues and the interest accrued thereon, the Community has recourse to place liens on the related properties. In the event that lots with significant unpaid assessments are seized by local taxing authorities, any lien for unpaid membership dues remains with the prior owners. Accounts receivable, net of allowance, totaled $108,336, at May 1, 2025.

Allowance for expected credit losses - membership receivables - The Community recognizes an allowance for losses on membership receivables in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current economic conditions, as well as an assessment of each classification of receivable and estimated collectibility of each. In 2025, the estimation of the allowance also included management's assessment of reasonable and supportable expectations of future economic conditions. The expense associated with the allowance for expected credit losses is recognized in operating expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory - Inventory represents materials purchased for eventual use in construction and repairs and maintenance for the Community. Inventory is valued at the lower of cost and net realizable value, determined on a first-in, first-out (FIFO) basis. Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonably predictable costs of disposal and transportation.

Short-term investments - Short-term investments consist of certificates of deposit with maturities of six months or less. These investments are classified as current assets and are carried at cost, which approximates fair value due to their short-term maturities.

Property and equipment - Purchased property, common property, and equipment are carried at cost. Donated property and equipment are carried at fair market value at the date of donation. Major additions and improvements are included in the property accounts while maintenance and repairs, which do not improve or extend the lives of the assets, are expensed as incurred. The Community's policy is to capitalize property and equipment and improvements of assets that extend the asset's useful life with a cost of at least $2,500.

Buildings are generally depreciated over estimated useful lives by the straight-line method. Other classes are generally depreciated using various methods over their estimated useful lives.

Land inventory - Land inventory consists of land owned by the Community and is stated at the lower of fair market value or the balance due on the account at the time the Community acquired the land in exchange for past-due accounts. The Community's bylaws require a majority vote of its members to approve the sale or transfer of its land.

Interest expense - Interest costs are expensed as incurred and totaled $4,961 and $7,356 for the years ended April 30, 2026 and 2025, respectively.

Revenue recognition - Revenue consists of membership dues, member revenue and new building fees. The majority of the Community's revenue is from transactions with members. The amount of revenue recognized is measured based on the consideration specified in contracts with members. The Community recognizes revenue when a performance obligation is satisfied, over time as services are performed or at a point in time depending on the nature of the services provided as further discussed below.

Contract assets and liabilities - When the timing of the provision of goods or services is different from the timing of the payments made by members, the Community recognizes either a contract asset (performance precedes contractual due date) or a contract liability (member payment precedes performance). Contract liabilities represent payments received in advance of providing services or goods under certain contracts for which the Community's performance obligations have not been satisfied. Contract liabilities are included in deferred revenue on the accompanying balance sheets. The change in contract liabilities primarily relate to either party's performance under the contracts. Contract liabilities totaled $318,498 and $498,838 at April 30, 2026 and 2025, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue recognition, continued

Membership dues - Community members are subject to annual assessments to provide funds for the Community's operating expenses. The Community's dues are based on the Community's cost of service and are approved by the Board of Trustees. Membership dues are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Community's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. Unearned membership revenue is reflected as deferred revenue on the balance sheets, as discussed previously.

Member revenue, new building fees and other revenue - These revenues consist primarily of additional fines, late fees and service charges to members. New building fees consist primarily of fees assessed for water hook-up and building permits. Other revenue primarily consists of loam and fill sales and credit card processing fees. Revenue is recognized at a point in time when the good or service is provided. The Community elected the practical expedient for sales tax collected, which allows the Community to exclude from the transaction price any amounts collected from members for sales tax and other similar taxes.

Leases - The Community determines if an arrangement is a lease or contains a lease at inception of a contract based on the right to control the use of the identified asset in exchange for consideration. In evaluating its contracts, the Community separately identifies lease and nonlease components, such as common area and other maintenance costs. The Community has elected not to record a right-of-use (ROU) asset for leases with an initial term of 12 months or less. Lease expense from short-term leases is recognized on a straight-line basis over the lease term. The Community determined there were no ROU assets or liabilities as of and for the years ended April 30, 2026 and 2025, respectively.

The Community leases equipment on a short-term, as-needed basis from unrelated third parties. The Community pays substantially all operating costs on the leased property. Rent expense related to these short-term leases totaled $3,792 for both years ended April 30, 2026 and 2025.

Income taxes - The Community is exempt from income taxes under Internal Revenue Code Section 501(c)(4). It is only subject to tax on income from activities unrelated to its exempt purpose.

U.S. GAAP prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. Accordingly, the.Community recognizes the tax benefits from uncertain tax positions if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Common control arrangements - The Community has adopted the accounting alternative offered to private companies for entities under common control. In accordance with this alternative, the Community discloses any transactions with the related entities rather than evaluating the related entities for consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent events - The Community has evaluated events, if any, that have occurred subsequent to April 30, 2026, through July 22, 2026, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

Reclassifications - The financial statement presentation for 2025 has been changed to conform with the 2026 presentation. Total membership equity is unchanged as a result of the reclassifications.

2. MEMBERSHIP RECEIVABLES

An aging analysis of membership receivables is as follows:

		2026	2025
Current	$	61,722	63,855
One year past due		36,063	47,529
Two years past due		30,821	41,791
Greater than two years past due		158,411	184,482
Total membership receivables		287,017	337,657
Less allowance for credit losses		188,080	218,028
Net membership receivables	$	98,937	119,629

A summary of activity for the allowance for credit losses is as follows:

		2026	2025
Balance at beginning of year	$	218,028	202,195
(Decrease) increase to provision		(88,693)	14,490
Accounts charged off		(29,948)	(19,499)
Recoveries		88,693	20,842
Balance at end of year	$	188,080	218,028

3. LINE OF CREDIT

During the year ended April 30, 2026, the Community entered into a revolving line of credit agreement with Partners Bank of New England that provides for maximum borrowings of $500,000, through November 2026. Outstanding borrowings bear interest at the *Wall Street Journal* prime rate minus 0.25%, (6.50% at April 30, 2026). The Community has pledged $500,000 of its checking account as collateral for the revolving line of credit. The Community retains the ability to access the use of these funds in the ordinary course of business, subject to the terms of the lending agreement. No amounts were outstanding under the line of credit at April 30, 2026.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2026	2025
Non-interest bearing note payable to Maine Municipal Bond Bank due in semi-annual installments of $3,150, plus a 5.00% loan servicing fee. The note was paid in full during the year ended April 30, 2026.	$ -	25,200
Note payable to Maine Municipal Bond Bank due in annual installments of varying amounts, including interest at 1.00%, plus a 5.00% loan servicing fee. The note was paid in full during the year ended April 30, 2026.	-	20,183
Note payable to Partners Bank of New England due in monthly installments of $2,976, including interest at 3.60%. The note was paid in full during the year ended April 30, 2026.	-	17,639
Note payable to Volvo Financial Services due in monthly installments of $2,137, including interest at 7.09%, through May 2029. Secured by a piece of equipment with a net book value of $101,761.	49,712	70,803
Note payable to First Citizens Bank due in monthly installments of $1,166, including interest at 6.99%, through April 2031. Secured by certain equipment with a net book value of $50,023.	58,882	-
	108,594	133,825
Less current portion	33,062	51,906
Net long-term debt	$ 75,532	81,919

Future maturities of long-term debt are as follows:

2027	$ 33,062
2028	35,472
2029	14,023
2030	12,565
2031	13,472
	$ 108,594

4. LONG-TERM DEBT, CONTINUED

Subsequent to April 30, 2026, the Community entered into a loan agreement with Partners Bank of New England in the original principal amount of $192,000. The loan was obtained to finance work being performed on Production Well No. 3 (PW #3). The loan bears interest at 7.17% and is payable in monthly installments of $1,521 through May 2046. The loan is secured by a certain parcel of land and items located on the property.

5. DESIGNATED OPERATING SURPLUS FUNDS

The Board of Trustees designates a portion of the Community's operating surplus funds as of April 30, for expenditures anticipated in the following fiscal year.

Surplus funds designated for such purposes are as follows:

	2026	2025
Capital improvements	$ 467,399	415,452

6. FUTURE RESERVE FUND

As of April 30, 2026 and 2025, the Board of Trustees has designated $475,000 as a future reserve fund. There are no legal or constitutional requirements that such a fund be established; however, State of Maine Private and Special Law 1995, Chapter 37, establishes a maximum of $500,000 for such a fund. The maximum limit of the fund may be increased by a 2/3 majority vote of the Community's membership. Aware that old equipment might need to be replaced and that the capacity of the water system would need to be increased, the Board began setting aside funds in 1989. No formal study was made. The Board members relied on their own knowledge and the advice of the manager and maintenance chief to determine future needs. Actual expenditures, however, may vary from estimated amounts and the variations may be material; therefore, amounts accumulated in the future reserve fund may not be adequate to meet future needs.

7. CONCENTRATIONS OF CREDIT RISK

The Community's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents and membership receivables. At times, the Community maintains cash balances with financial institutions in excess of amounts federally insured. The Community has entered into a cash management agreement with a bank to mitigate this risk. Member accounts receivable are primarily attributable to the Community's broad membership of lot and homeowners. The Community has the ability to place liens on the underlying property to ensure payment of member dues.

8. RETIREMENT PLAN

The Community sponsors a 401(k) plan (the Plan) available to substantially all employees as certain eligibility requirements are met. The Plan provides for the Community to make discretionary matching contributions up to 5% of employee wages. Community contributions to the Plan totaled $13,433 and $13,575 for the years ended April 30, 2026 and 2025, respectively.

9. COMMON CONTROL UNDER THE VARIABLE INTEREST ENTITIES (VIE) ACCOUNTING ALTERNATIVE

Lake Arrowhead Conservation Council (LACC) and the Community are entities under common control. LACC is a 501(c)(3) organization, whose purpose is to advance and promote conservation and protection of the Lake Arrowhead water, lake, and land quality, as well as advocacy for public interest in the preservation of natural resources in Maine lakes. During the year, the Community provided management, maintenance and administrative services to LACC for which it charged approximately $1,080 and $2,250 for the years ended April 30, 2026 and April 30, 2025, respectively. The Community also contributed $20,000 to support LACC's mission for both years ended April 30, 2026 and April 30, 2025.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2026	2025
Cash paid for interest	$ 4,961	7,356
Schedule of noncash investing and financing transactions:		
Equipment purchases financed through long-term debt	$ 58,882	-

LAKE ARROWHEAD COMMUNITY, INC.

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

APRIL 30, 2026

The Board of Trustees periodically reviews and updates the analysis of the Community's infrastructure taking into account recent updates, the estimated remaining useful lives, and the replacement costs of the components of common property. Replacement costs were estimated by the manager and maintenance chief based on their own knowledge and understanding of the Community. A water system master plan and a building needs assessment were prepared by an engineering firm in 2003. The public works manager and the Board of Trustees have assessed prior estimates based on these reports and an evaluation of future Community needs over the next ten years.

Component	Estimated future replacement costs (10 year estimate)
Buildings - rehabilitation	$ 200,000
Furniture and equipment	75,000
Vehicles	1,000,000
Water system	1,000,000
	$ 2,275,000