

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Shadow Wood Community Association, Inc.

Opinion

We have audited the accompanying financial statements of Shadow Wood Community Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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 Shadow Wood Community Association, Inc., as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Shadow Wood Community Association, 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 Shadow Wood Community Association, 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.

Report on Supplementary Information

The supplementary information included in the Schedule of Operating Fund Revenues and Expenses—Budget and Actual on page 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that future major repairs and replacements information on page 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously audited Shadow Wood Community Association, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants
Bonita Springs, FL
March 25, 2024

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**BALANCE SHEET
As of December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Operating Fund	Replacement Fund	Totals	
			2023	2022
ASSETS				
Cash and cash equivalents	\$ 4,582,583	\$ 1,533,115	\$ 6,115,698	\$ 4,726,247
Investments	-	3,863,561	3,863,561	3,843,475
Accounts receivable - members	83,853	-	83,853	10,353
Accounts receivable - other	-	-	-	77,779
Prepaid expenses	-	-	-	5,216
Prepaid insurance	47,337	-	47,337	31,611
Due from operating fund	-	-	-	54,654
Construction in progress	46,516	-	46,516	62,375
Hurricane Ian deferred costs	-	-	-	745,950
Property and equipment, net of accumulated depreciation	812,827	-	812,827	827,385
TOTAL ASSETS	\$ 5,573,116	\$ 5,396,676	\$ 10,969,792	\$ 10,385,045
 LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 113,987	\$ -	\$ 113,987	\$ 27,311
Assessments received in advance	4,454,655	-	4,454,655	4,042,841
Deferred assessments - natural gas	24,768	-	24,768	10,668
Deferred vacation and sick leave	93,974	-	93,974	47,871
Accrued Hurricane Ian costs	40,778	-	40,778	119,891
Accrued payroll	100,915	-	100,915	71,778
Deposits payable - AMRC	82,300	-	82,300	95,900
Due to reserve fund	-	-	-	54,654
Contract liabilities	-	5,386,164	5,386,164	4,982,737
TOTAL LIABILITIES	4,911,377	5,386,164	10,297,541	9,453,651
FUND BALANCES	661,739	10,512	672,251	931,394
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,573,116	\$ 5,396,676	\$ 10,969,792	\$ 10,385,045

The accompanying notes are an integral part of these financial statements.
Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Operating Fund	Replacement Fund	Totals	
			2023	2022
REVENUES				
Member assessments	\$ 5,491,850	75,003	\$ 5,566,853	\$ 4,900,580
Assessment (SWCC)	39,971	-	39,971	35,000
Interest income	-	185,809	185,809	39,854
Investment income	35,544	-	35,544	3,840
Hurricane Ian special assessment	745,950	-	745,950	-
Other income	13,977	-	13,977	20,575
TOTAL REVENUES	6,327,292	260,812	6,588,104	4,999,849
EXPENSES				
Compensation and benefits	2,299,481	-	2,299,481	2,025,871
Office and administrative	76,217	-	76,217	63,401
Operating and maintenance	596,946	-	596,946	581,419
Utilities	1,855,843	-	1,855,843	1,751,028
Natural gas expense	1,529	-	1,529	2,216
Outside services	600,116	-	600,116	396,661
Repairs and maintenance	140,944	-	140,944	87,154
Other operating expenses	189,368	-	189,368	129,993
Hurricane Ian expenses	745,950	-	745,950	-
Depreciation	128,632	-	128,632	120,975
Replacement expenses	-	260,812	260,812	40,839
TOTAL EXPENSES	6,635,026	260,812	6,895,838	5,199,557
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(307,734)	-	(307,734)	(199,708)
OTHER INCOME (LOSS)				
Gain on sale of property and equipment	9,191	-	9,191	10,000
Unrealized gain (loss) on investments	-	39,400	39,400	(26,830)
TOTAL EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(298,543)	39,400	(259,143)	(216,538)
BEGINNING FUND BALANCE	960,282	(28,888)	931,394	1,147,932
ENDING FUND BALANCE	\$ 661,739	\$ 10,512	\$ 672,251	\$ 931,394

The accompanying notes are an integral part of these financial statements.
Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Operating Fund	Replacement Fund	Totals	
			2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Total excess (deficit) of revenues over expenses	\$ (298,543)	\$ 39,400	\$ (259,143)	\$ (216,538)
Adjustments to reconcile excess of revenues to net cash provided by operating activities:				
Depreciation	128,632	-	128,632	120,975
Gain on sale of property and equipment	(9,191)	-	(9,191)	(10,000)
Unrealized (gain) loss on investments	-	(39,400)	(39,400)	26,830
(Increase) decrease in:				
Accounts receivable - members	(73,500)	-	(73,500)	(8,723)
Accounts receivable - other	77,779	-	77,779	(51,150)
Prepaid expenses	5,216	-	5,216	(4,791)
Prepaid insurance	(15,726)	-	(15,726)	(5,749)
Construction in progress	15,859	-	15,859	-
Hurricane Ian deferred costs	745,950	-	745,950	(745,950)
Due from reserve fund	54,654	-	54,654	(54,654)
Increase (decrease) in:				
Accounts payable	86,676	-	86,676	(87,578)
Assessments received in advance	411,814	-	411,814	183,177
Deferred assessments - natural gas	14,100	-	14,100	10,668
Deferred vacation	46,103	-	46,103	(4,026)
Accrued Hurricane Ian costs	(79,113)	-	(79,113)	119,891
Accrued payroll	29,137	-	29,137	66,388
Deposits payable	(13,600)	-	(13,600)	11,400
Due to operating fund	-	(54,654)	(54,654)	54,654
Contract liabilities	-	403,427	403,427	490,376
Net cash provided by operating activities	<u>1,126,247</u>	<u>348,773</u>	<u>1,475,020</u>	<u>(104,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in investment accounts	-	19,314	19,314	(660,888)
Changes in property and equipment	(104,883)	-	(104,883)	(114,880)
Net cash provided (used) by investing activities	<u>(104,883)</u>	<u>19,314</u>	<u>(85,569)</u>	<u>(775,768)</u>
Net change in cash and cash equivalents	1,021,364	368,087	1,389,451	(880,568)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,561,219</u>	<u>1,165,028</u>	<u>4,726,247</u>	<u>5,606,815</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 4,582,583</u>	<u>\$ 1,533,115</u>	<u>\$ 6,115,698</u>	<u>\$ 4,726,247</u>

The accompanying notes are an integral part of these financial statements.
Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

NOTE 1 – NATURE OF ORGANIZATION

Shadow Wood Community Association, Inc. (the "Association") is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the Shadow Wood development. The Shadow Wood Community Association consists of 1,481 residential members, located in 34 neighborhoods in Estero, Florida. The Association began its operations on January 23, 1998. The Association's members are the only members.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting - Fund Accounting

The Association prepares its financial statements on the accrual basis of accounting.

To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting purposes in the following funds established according to their nature and purposes:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers cash and cash equivalents to include checking accounts, money market accounts, and brokerage cash accounts.

Property and Equipment

With the exception of a multi-use unit building placed in service in 2012, ownership of the commonly owned assets is vested directly or indirectly in the Member owners and those assets are not deemed to be severable. As a result, commonly owned assets are not presented in the Association's financial statements.

Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Concentration of Credit Risk

The majority of the Association's cash is placed in various financial institutions through an Insured Cash Sweep (ICS) program. First Horizon Bank acts as the custodian and facilitates the separation of large cash accounts into smaller amounts which are deposited with various third-party FDIC insured financial institutions. All deposits with the various third-party financial institutions are within the FDIC insurance limits. To date, the Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Concentration of Credit Risk for Cash Deposits at Brokerage Firms

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash deposits at a brokerage firm. The accounts at the brokerage firm contain cash and securities. Balances are insured up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At December 31, 2023, the Association did not have any amounts significantly above the insured limits.

Owners' Assessments - Revenue Recognition

All owners of the Association are obligated to pay annual assessments (maintenance fees) to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

The annual budget and assessments of the owners are determined and approved by the Board of Directors. The Association retains excess operating funds at year-end, if approved by a homeowner vote, for use in future periods. If deficits exist at year-end, the Association adds the deficit to the next year assessment, or if available, will use residual funds from prior years approved for future periods by the homeowner vote.

Interest Income

Interest income is earned in the operating and replacement funds in direct proportion to the investments of each fund.

Fair Value Measurements

The Association measures fair value as set forth in *FASB ASC 820, "Fair Value Measurements and Disclosures."* *FASB ASC 820* applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. *FASB ASC 820* emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

- **Level 1** – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access.
- **Level 2** – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.
- **Level 3** – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In accordance with the fair value hierarchy, the following table presents the fair value of those assets required to be measured on a recurring basis on December 31, 2023 and 2022:

	Total Fair Value	Level 1	Level 2	Level 3
<i><u>December 31, 2023</u></i>				
Corporate Bonds	\$ 392,216	\$ -	\$ 392,216	\$ -
U.S. Treasury Bills	200,769	-	200,769	-
Certificates of Deposit	3,270,576	-	3,270,576	-
Totals	<u>\$ 3,863,561</u>	<u>\$ -</u>	<u>\$ 3,863,561</u>	<u>\$ -</u>

	Total Fair Value	Level 1	Level 2	Level 3
<i><u>December 31, 2022</u></i>				
Corporate Bonds	\$ 393,022	\$ -	\$ 393,022	\$ -
U.S. Treasury Bills	1,092,249	-	1,092,249	-
Certificates of Deposit	2,358,204	-	2,358,204	-
Totals	<u>\$ 3,843,475</u>	<u>\$ -</u>	<u>\$ 3,843,475</u>	<u>\$ -</u>

Other Income/(loss)

Components of other income/(loss) for the period are presented separately on the Statement of Revenue, Expenses and Changes in Fund Balance below the excess of revenues over expenses. This category contains non-operating items such as gain/(loss) on asset sales and unrealized investment income.

Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

NOTE 3 – INCOME TAXES

Homeowners' associations may be taxed as either homeowners' associations or regular corporations. Shadow Wood Community Association, Inc. has elected to be taxed as a homeowner's association. Under this election, the Association is taxed on its nonexempt function income, such as interest earnings.

Exempt function income, which consists primarily of member assessments, is not taxable. The Association incurred no income taxes for the years ended December 31, 2023 and 2022.

As of December 31, 2023, the statute of limitations remains open for tax returns filed subsequent to and including 2020. No tax return examinations are in process or anticipated.

NOTE 4 – COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

<i>Operating Fund</i>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Checking	\$ 1,906,301	\$ 15,482
ICS Savings	2,674,584	3,544,047
Schwab cash on hand	1,698	1,690
Total	\$ 4,582,583	\$ 3,561,219
<i>Replacement Fund</i>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Checking	\$ 21,764	\$ 29,533
ICS Savings	1,321,719	1,109,995
Schwab cash on hand	189,632	25,500
Total	\$ 1,533,115	\$ 1,165,028

NOTE 5 – ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable-members at the balance sheet date represents fees due from member owners. Normally, the Association's policy is to place liens on the properties of homeowners whose assessments are substantially delinquent. As of December 31, 2023, and 2022, delinquent assessments for the Association, totaled \$83,853 and \$10,353 respectively.

Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

NOTE 6 – ACCOUNTS RECEIVABLE – OTHER

Accounts receivable other consist of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-HOA mailbox reimbursement	\$ -	\$ 77,779
Total	<u>\$ -</u>	<u>\$ 77,779</u>

NOTE 7 – INVESTMENTS

The Association has marketable debt securities that were classified as held to maturity and carried at market value. Held-to-maturity securities consisted of the following:

<i>Replacement Fund</i>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Short Term Certificates of Deposit	\$ 1,548,059	\$ 911,226
Short Term Corporate Notes	392,216	-
Long Term Certificates of Deposit	1,722,517	1,446,978
Long Term Corporate Notes	-	393,022
US Treasuries	200,769	1,092,249
Total	<u>\$ 3,863,561</u>	<u>\$ 3,843,475</u>

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 and 2022 is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 74,325	\$ 74,325
Land improvements	35,641	35,641
Buildings	525,907	525,907
Administrative equipment	261,048	194,328
Patrol equipment	296,489	279,843
Grounds equipment	752,267	750,594
Totals	<u>1,945,677</u>	<u>1,860,638</u>
Accumulated depreciation	<u>(1,132,850)</u>	<u>(1,033,253)</u>
Property and equipment – net	<u>\$ 812,827</u>	<u>\$ 827,385</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$128,632 and \$120,975 respectively. Gain on disposal of assets for the years ended December 31, 2023 and 2022 totaled \$9,191 and \$10,000 respectively.

Assets that are being constructed and not completed at year end are considered construction in progress. The 2023 construction in progress consists of architectural deposits for a gatehouse renovation project. As of December 31, 2023, and 2022, construction in progress totaled \$46,516 and \$62,375 respectively.

Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

NOTE 9 – ASSESSMENTS RECEIVED IN ADVANCE

Revenue from owners' assessments is recorded as earned. Assessments received in advance are recorded as a deferred liability until such time as they are deemed recognizable, at which time, the assessments received in advance are recognized as income to the Association. At December 31, 2023 and 2022, assessments received in advance totaled \$4,454,655 and \$4,042,841, respectively.

NOTE 10 – DEFERRED ASSESSMENTS – NATURAL GAS

The Association has an open option for homeowners to install natural gas lines into their residences with an advance deposit for installation. The amounts are recorded on the balance sheet, and as of December 31, 2023 and 2022, the balances were \$24,768 and \$10,668, respectively. The assessment is to add additional connections for homeowners interested in natural gas supply for their residence.

NOTE 11 – DEFERRED VACATION AND SICK LEAVE BENEFITS

The Association maintains a deferred vacation policy covering the current employees based on the number of years the employee works for the Association. The liability associated with the deferred vacation policy is recorded on the balance sheet, and as of December 31, 2023 and 2022 was \$93,974 and \$47,871, respectively. A new sick leave policy was added to the balance sheet accrual as of December 31, 2023. This additional sick leave policy accrual was \$25,810 and is based on unused sick leave from the current year.

NOTE 12 – REPLACEMENT FUND AND CONTRACT LIABILITIES

In addition to the regular assessments to provide funds for the Association's operating expenses, the Association's governing documents require funds be accumulated for future major repairs and replacements for the common areas and are to be separately accounted for in the Replacement Fund. The Association uses the Cash Flow Funding method for calculating required funding levels. Under this method, the Association assigns a "pool" of funds to be used for any, and all, Reserve projects.

During 2023, the Board of Directors contracted a study by Reserve Advisors, Inc. to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on their study. The actual replacement cost and useful lives may vary from estimated amounts and the variation may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association, through its Board, has the power to increase assessments or delay major repairs and replacements until funds are available. The study is scheduled every two years. The following table shows the changes in the replacement fund:

Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

NOTE 12 – REPLACEMENT FUND AND CONTRACT LIABILITIES -- continued

Fund Description	December 31, 2022	Assessments	Interest/ Gain	Expenses	December 31, 2023
Contract Liabilities	\$ 4,982,737	\$ 478,430	\$ 185,809	\$ (260,812)	\$ 5,386,164
Fund Balance	(28,888)	-	39,400	-	10,512
Total	<u>\$ 4,953,849</u>	<u>\$ 478,430</u>	<u>\$ 225,209</u>	<u>\$ (260,812)</u>	<u>\$ 5,396,676</u>

NOTE 13 – HURRICANE IAN

On September 28, 2022, Hurricane Ian made landfall and caused damage to the Association property. Operating funds were used to cover immediate damage repair costs. Total damages relating to Hurricane Ian incurred in 2022 and 2023 were \$745,950. On April 25, 2023, the Neighborhood Representatives voted, and approved, a \$745,950 special assessment that was subsequently billed to the Association's members. The amount of the damages and special assessment have been reported as an expense and income, respectively, in the income statement. Costs of \$40,778 are accrued on the balance sheet awaiting final invoice (\$119,891 as of December 31, 2022).

NOTE 14 – COMMITMENTS

The Association currently has contracts with various vendors.

NOTE 15 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 25, 2024, the date the financial statements were available for issuance.

Read independent auditors' report.

SUPPLEMENTARY INFORMATION

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -
BUDGET AND ACTUAL**

For the Year Ended December 31, 2023

	<i>(Unaudited)</i> Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Member assessments	\$ 5,491,850	\$ 5,491,850	\$ -
Shadow Wood Country Club covenant	40,000	39,971	(29)
Late fees and member interest	7,000	-	(7,000)
Investment income	6,000	35,544	29,544
Hurricane Ian special assessment	-	745,950	745,950
Other income	30,000	13,977	(16,023)
TOTAL OPERATING REVENUES	5,574,850	6,327,292	6,492
EXPENSES			
Compensation and Benefits			
Administration wages	277,000	334,060	(57,060)
Gatehouse wages	722,000	639,497	82,503
Landscape wages	903,000	866,932	36,068
Temporary labor	-	2,535	(2,535)
Payroll taxes and benefits	362,700	409,886	(47,186)
Neighborhood project chargeback	(4,800)	(3,422)	(1,378)
Workers' compensation insurance	52,300	49,993	2,307
Total compensation and benefits	2,312,200	2,299,481	12,719
Office and Administrative			
Office supplies	19,200	24,936	(5,736)
Postage	2,000	3,074	(1,074)
Cleaning	29,900	31,199	(1,299)
Bank fees	8,000	4,596	3,404
License fees and subscriptions	6,400	12,412	(6,012)
Total office and administrative	65,500	76,217	(10,717)
Operating and Maintenance			
Expendable expenses	12,500	18,615	(6,115)
Non-capital equipment	7,500	10,694	(3,194)
Landscape supplies	485,000	474,199	10,801
Patrol supplies	39,000	41,523	(2,523)
Fuel	48,000	51,915	(3,915)
Total operating and maintenance	592,000	596,946	(4,946)
Utilities			
Electric and gas	34,700	36,154	(1,454)
Water and sewer	136,300	178,145	(41,845)
Phone	19,700	20,235	(535)
Lighting	22,000	25,865	(3,865)
Video and data	1,595,050	1,595,444	(394)
Total utilities	1,807,750	1,855,843	(48,093)

The accompanying notes are an integral part of these financial statements.
Read independent auditors' report.

**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -
BUDGET AND ACTUAL**

For the Year Ended December 31, 2023 -- continued

	<i>(Unaudited)</i> <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENSES -- Continued			
Natural gas expense			
Gas service	2,000	1,529	471
Total natural gas expense	<u>2,000</u>	<u>1,529</u>	<u>471</u>
Outside Services			
Gatehouse services	20,000	23,118	(3,118)
Landscaping services	306,000	381,056	(75,056)
Legal fees	18,000	16,229	1,771
Accounting and management fees	34,000	36,949	(2,949)
Other outside services	94,000	142,764	(48,764)
Total outside services	<u>472,000</u>	<u>600,116</u>	<u>(128,116)</u>
Repairs and Maintenance			
Building maintenance	11,000	39,972	(28,972)
Equipment repairs	30,000	51,431	(21,431)
Landscape maintenance and repairs	15,500	26,097	(10,597)
Vehicle maintenance and repairs	7,000	6,161	839
Lighting	13,000	17,283	(4,283)
Total repairs and maintenance	<u>76,500</u>	<u>140,944</u>	<u>(64,444)</u>
Other Operating Expenses			
Insurance	116,900	174,331	(57,431)
Employee training, development and relations	11,000	15,037	
Special projects	-	-	-
Total other operating expenses	<u>127,900</u>	<u>189,368</u>	<u>(61,468)</u>
Hurricane Ian expenses	-	745,950	745,950
Depreciation	<u>129,000</u>	<u>128,632</u>	<u>368</u>
TOTAL OPERATING EXPENSES	<u>5,584,850</u>	<u>6,635,026</u>	<u>(1,050,176)</u>
DEFICIT OF REVENUES OVER EXPENSES	(10,000)	(307,734)	(297,734)
Gain on sale of property and equipment	<u>10,000</u>	<u>9,191</u>	<u>(809)</u>
TOTAL DEFICIT OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ (298,543)</u>	<u>\$ (298,543)</u>

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**SHADOW WOOD COMMUNITY
ASSOCIATION, INC.**

**SUPPLEMENTAL INFORMATION OF
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

As of December 31, 2023

Unaudited

The following table is based on estimates provided by the reserve study done in 2023 at the time of the financial audit, using replacement costs and estimates from licensed contractors. The table presents significant information about the components of the common property:

Components	Estimated Useful Lives	Remaining Useful Lives	Estimated Future Replacement Costs	2024 Expected Fund Requirements	2024 Approved Budgeted Funding
Common Expenses:					
Paving (cracks & repairs)	1	0	\$ 447,992	\$ -	\$ -
Paving (replacement)	15-20	0-13	2,179,506	-	-
Bridges	30	4-7	1,555,561	-	-
Catch Basins	15-20	0-1	152,640	-	-
Curbs	65	0	447,992	-	-
Entrance Monument	40	0	457,859	-	-
Fence (panelized concrete)	30-35	2-22	525,164	-	-
Emergency Gate	20	10	13,180	-	-
Gate Houses (interior)	15	3-8	356,055	-	-
Gate Houses (exterior)	25-30	0-21	288,396	-	-
Gates	8-20	1-2	526,737	-	-
Irrigation System (controllers)	10	1	386,140	-	-
Lift Station	20	0	92,630	-	-
Light Poles & Fixtures	30	4-6	1,735,990	-	-
Maintenance (buildings & storage tanks)	4-25	0-1	4,567,992	-	-
Pavers	15-20	1-10	684,319	-	-
Perimeter Fences (metal)	20-30	6-13	290,633	-	-
Perimeter Walls	7-8	3	457,461	-	-
Recreational Trails (replacement)	10-15	0-29	808,790	-	-
Pooled Reserves			-	899,024	899,024
Common expense total			<u>15,975,037</u>	<u>899,024</u>	<u>899,024</u>
Non-HOA Expenses:					
Paving (cracks & repairs)	1	0	223,998	-	-
Paving (replacement)	15-20	0-10	2,551,945	-	-
Catch Basins	15-20	0-18	218,206	-	-
Curbs	65	0	447,992	-	-
Entrance Fountain	12-15	0	130,469	-	-
Entrance Monument	7-8	0	258,035	-	-
Light Poles & Fixtures	30	11-13	1,165,743	-	-
Pavers	15-20	1	970,608	-	-
Pooled Reserves			-	349,719	349,719
Non-HOA total			<u>5,966,996</u>	<u>349,719</u>	<u>349,719</u>
Total			<u>\$ 21,942,033</u>	<u>\$ 1,248,743</u>	<u>\$ 1,248,743</u>
Contract Liabilities Balance as of December 31, 2023			<u>\$ 5,386,164</u>		

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