

March 10, 2023

To the Board of Directors  
Kiawah Island Community Association, Inc.

We have audited the financial statements of Kiawah Island Community Association, Inc. (the "Association") for the year ended December 31, 2022 and have issued our report thereon dated March 10, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated August 4, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2022. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The Association's allowance for uncollectible accounts is an estimate based on historical collection rates and other assumptions developed by management.
- In accordance with current accounting standards, the Association measures and reports its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value; including corporate and municipal bonds, mutual funds, exchange-traded funds and certificates of deposit.
- Depreciation expenses is provided on a straight-line basis over the respective estimated useful lives of the assets ranging from 3 to 40 years.

We evaluated the key factors and assumptions used to develop these estimates in determining that they appear to be reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The Association's determination that operating assessments, reserve assessments, contributions to reserve and special assessments are transactions with owners and therefore outside the scope of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606).

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following uncorrected misstatements were identified during our audit:

- An under accrual of year-end accrued wages payable of approximately \$ 22,000; which was recorded based on estimated amounts.
- An understatement of investment value of approximately \$ 19,000, due to the valuation of investments in transit at year end.
- Management's determination that the cost/time of implementation of ASC-842, Leases, did not provide the intended benefits of the standard, which resulted in a projected understatement of assets and liabilities of approximately \$ 29,000.

Management has determined that their effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 10, 2023.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We may discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit procedures, we inquired about any current, pending or proposed litigation involving the Association or its Board of Directors. Please refer to Note 14 of the financial statements regarding the disclosure of litigation, claims and assessments. Per management, various subsequent events occurred after the audit period that management believes may have the possibility of evolving into mediation or litigation. As of the date of this letter, there is no potential liability where the likelihood and amount of the impact is determinable and measurable by management. Given the nature of these matters we have advised management to seek legal counsel.

During our audit, we became aware of certain items to strengthen internal controls, that we discussed with management:

- Management has created and implemented a monthly and year end closing schedule. We recommend that management continue to evaluate the timing of specific procedures to enhance coordination with management and third-party's needs for information.
- The Association's aged accounts receivable subsidiary ledgers were unable to be system generated as of December 31, 2022 due to limitations of the salesforce system. The system is able to provide aging reports, however, reports cannot be run with historical dates. Certain extended audit procedures on receivable balances were performed to identify potential material misstatements. We recommend that management continue working with the software provider to enhance reporting capabilities and financial system integration.

*Required Supplementary Information*

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of Kiawah Island Community Association, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

KEEFE McCULLOUGH