



Report to the Board of Directors

Kiawah Island Community Association, Inc.

Results of the 2023 Financial Statement Audit, Including Required Communications

December 31, 2023

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements and supplementary information</p> <ul style="list-style-type: none">• As of and for the year ended December 31, 2023• Conducted in accordance with our contract dated September 11, 2023
Our Responsibilities	<p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
Audit Scope and Inherent Limitations to Reasonable Assurance	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>



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Matter	Discussion
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> • Board of Directors and Management • Others within the Association



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Qualitative Aspects of Significant Accounting Policies and Practices

The following matters are detailed in the following pages and included in our assessment:

**Significant Accounting
Policies**

**Unusual Policies or
Methods**

**Alternative Accounting
Treatments**

**Management Judgments
& Accounting Estimates**

**Financial Statement
Disclosures**

**Our Judgment About the
Quality of the
Association's Accounting
Principles**

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Significant Accounting Policies

Significant accounting policies are described in Note 2 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- No matters are reportable

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature):

- No matters are reportable

Alternative Accounting Treatments

- No matters are reportable

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Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- No matters are reportable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Restatement in Note 15

Our Judgment About the Quality of the Association's Accounting Principles

During the course of the audit, we made the following observations regarding the Association's application of accounting principles:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

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Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Kiawah Island Community Association, Inc., as of and for the year ended December 31, 2023, in accordance with GAAS, we considered the Association's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:

- The Board of Directors and Management
- Others within the Kiawah Island Community Association

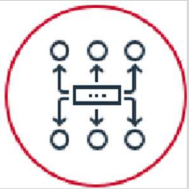


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Categorizing Deficiencies by Severity

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.



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Identified Deficiencies

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies. We recommended the following:

- A fixed asset inventory is completed annually in accordance with the policy.
- The Director of Finance has certain user access controls.

Management has responded to these deficiencies and plan to take steps in 2024 to address.

We identified a certain deficiency in internal control that we consider to be a material weakness.

Material Weaknesses

- The Association's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the statements for external purposes in accordance with generally accepted accounting principles in the United States of America. As described in the financial statements, there was a restatement related to the 2022 financial statements as described on page 9 of this report.

Management provided the appropriate information to make the adjustments for the financial statements related to 2023 and 2022. Management has the appropriate information and internal control processes to ensure the financial statements are recorded in accordance with generally accepted accounting principles in the United States of America going forward.





Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- During the 2023 audit, it was identified that from inception in 2020, the accounting for the flood mitigation special assessment and the related accounts receivable and deferred revenue was not recorded in accordance with GAAP. In 2020, accounts receivable and deferred revenue were recorded for the entire amount of the special assessment. Accounts receivable was reduced upon payment from members and revenue was recognized against deferred revenue when expenditures were incurred. The appropriate accounting would have been to record collections in excess of expenditures (amounts earned) as deferred revenue and expenditures (amounts earned) in excess of collections as accounts receivable each year throughout the process. As a result, a restatement of the 2022 financial statements and adjustments to the 2023 financial statements was necessary.

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Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their effect is not currently considered material.

Uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are listed below. While these uncorrected misstatements were deemed to be immaterial to the current-period financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Current Period Uncorrected Misstatements

- The Association has elected not to record associated entries with ASU 2016-02, Leases due to determination that the amounts were not material to the overall financial statements. The election to not record the activity resulted in an understatement of assets and liabilities of approximately \$87,000. The treatment during 2023 is consistent to prior year treatment. Management will evaluate the impacts of leases each year going forward related to future financial statement presentation.

Prior-Period Uncorrected Misstatements

During the 2022 audit, management determined the following items to not be material and elected to not adjust for the misstatements. These items resulted in carry forward impacts to the 2023 audit.

- An under accrual of year-end accrued wages payable of approximately \$22,000; which was recorded based on estimated amounts. This resulted in the expense being recorded during 2023 and causing the overstatement during the year ended December 31, 2023.
- An understatement of investment value of approximately \$19,000, due to the valuation of investments in transit at year end. This resulted in the income being recorded during 2023 and causing an overstatement of the income during the year ended December 31, 2023.



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What Makes Us Uniquely FORVIS

We Are FORVIS

OUR PURPOSE

To help those we serve unlock their full potential

MISSION

To build remarkable careers and provide an Unmatched Client Experience™
through an uncommon commitment to excellence

VISION

Our **FORward VISION** is to be known for creating engaging opportunities,
delivering innovative solutions, and building unrivaled relationships

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UNMATCHED CLIENT EXPERIENCE

A key part of the **FORVIS WAY** is our Unmatched Client Experience—the focus for this book. Unmatched Client Experience is how we work with team members and clients to deliver a unique experience. We strive to serve each other and unlock our individual and collective full potential. With all the elements of the FORVIS Way as our foundation, delivering an Unmatched Client Experience becomes real when we do these three things ...

**1. LISTEN TO
UNDERSTAND**



**2. BE
RESPONSIVE**



**3. CONSULT WITH
PURPOSE TO
DELIVER VALUE**



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Sharing Our FORVIS Commitments

FORVIS' commitment to our people, clients, integrity and culture are critical to achieving quality in our practice.

- The [FORVIS Integrated Report](#) highlights how our mission-focused mindset helps us support clients, establish firm objectives, and achieve success
- Our 2023 [Quality Report](#) supplements the broader Integrated Report by sharing items focused on the quality structure of our audit and attest practice



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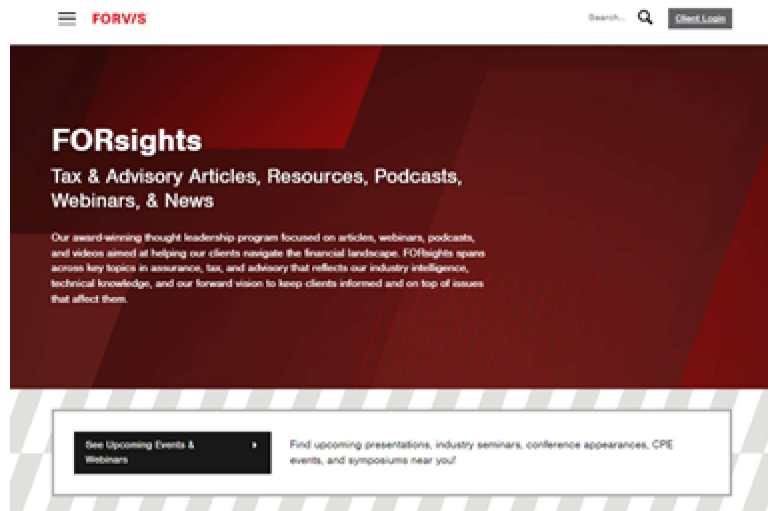
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FORVIS Investments Driving Innovation

Collaboration Portals

Our proprietary collaboration tool **MyFORVIS** manages task lists, deadlines, and securely exchanges data.

Data Analytics

With MindBridge and Alteryx, and our own proprietary tools and teams, we ingest, verify, and analyze your data for specific matters and general anomalies.

Unstructured Data

We leverage machine learning to speed evaluation of lease, debt business combination, and other agreements using Kira that identifies and highlights terms and clauses of interest.

Automation

Time-consuming audit tasks like comparing Excel lists to supporting documents or salary detail to payroll records is accelerated using DataSnipper.

Risk-Based Sampling

Proprietarily created applications or off-the-shelf solutions like TeamMate Analytics power sampling techniques to rapidly evaluate large data sets, reducing low-value work and cost.

Transforming the Future

FORVIS is simultaneously building ASSURE, our proprietary audit solution, while joining the profession to build the AICPA's Dynamic Audit Solution. These tools will transform risk assessment and response while improving your audit experience.

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Attachments

Management Representation Letter (Attachment A)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

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Attachment A

Management Representation Letter

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Representation of:
Kiawah Island Community Association, Inc.
23 Beachwalker Drive
Kiawah Island, South Carolina 29455

Provided to:
FORVIS, LLP
Certified Public Accountants
11 Brendan Way, Suite 200
Greenville, South Carolina 29615

The undersigned ("We") are providing this letter in connection with FORVIS' audit of our financial statements as of and for the year ended December 31, 2023.

Our representations are current and effective as of the date of FORVIS' report: March 19, 2024.

Our engagement with FORVIS is based on our contract for services dated: September 11, 2023.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of FORVIS' Report

We confirm, to the best of our knowledge and belief, the following:

Broad Matters

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.

3. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of board meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.
 - e. All significant contracts.
4. We have responded fully and truthfully to all your inquiries.

Misappropriation, Misstatements, & Fraud

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, liabilities, or fund balance.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in internal control over financial reporting, or
 - b. Others when the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, or others.
8. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

Ongoing Operations

9. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.

Related Parties

10. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year

that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

11. We understand that the term related party refers to:

- Affiliates
- Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings & Regulations

12. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
13. We have no knowledge of communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
14. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.

Nonattest Services

15. You have provided nonattest services, including the following, during the period of this engagement:
 - Preparing a draft of the financial statements and related notes and supplementary information including advising management about appropriate principles and their application
 - Preparation of tax returns
16. With respect to these services:

- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
- b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
- c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
- d. We have evaluated the adequacy of the services performed and any findings that resulted.
- e. Established and maintained internal controls, including monitoring ongoing activities.
- f. When we receive final deliverables from you we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

17. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
18. The entity has restated the 2022 financial statements to conform with accounting principles generally accepted in the United States of America. Management has provided you with all relevant information regarding the restatement. We are not aware of any other known matters that required correction in the financial statements.
19. We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.

Transactions, Records & Adjustments

20. All transactions have been recorded in the accounting records and are reflected in the financial statements.
21. The entity has appropriately reconciled its general ledger accounts to their related supporting information. All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. All intracompany (and intercompany) accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.
22. We have everything we need to keep our books and records.
23. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.

24. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.
25. We believe the effects of the uncorrected financial statement misstatements and omitted disclosures related to leases are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total impact of the uncorrected misstatement related to the leases are an understatement of the ROU lease asset of \$87,000 and understatement of the ROU lease liability of \$87,000. There are also carry forward impacts related to prior period uncorrected misstatements associated with an under accrual of wages payable with an overstatement of expenses of \$22,000 and overstatement of beginning fund balance of \$22,000 and under accrual of investment values causing an overstatement of revenues of \$19,000 and an understatement of beginning fund balance of \$19,000.

Nonprofit Accounting & Disclosure Matters

26. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

Accounting & Disclosures

27. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.
28. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities, or fund balance.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure in accordance with Accounting Standards Codification (ASC) Topic 450, *Contingencies*, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.
 - h. Known or anticipated asset retirement obligations.
 - i. Supplier Finance Arrangements.

29. Except as disclosed in the financial statements, the entity has:

- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
- b. Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.

Estimates

- 30. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
- 31. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements. In addition we have no knowledge of concentrations, which refer to volumes of business, revenues, available sources of supply, or markets, loans, investments, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

Shannon M. White

Shannon M. White (Mar 20, 2024 09:56 EDT)

Shannon White, Chief Operating Officer

Dale D Schoon

Dale Schoon, Director of Finance

Signature: *Dale Schoon*

Dale Schoon (Mar 20, 2024 07:24 EDT)

Email: dale.schoon@kica.us