

KIAWAH ISLAND  
COMMUNITY  
ASSOCIATION



TITLE:

**Q4 2024**  
**Finance Report**

COMMITTEE:

**Finance Committee**

TREASURER:

**Lisa Mascolo**

January 30, 2025

## General Overview

- KICA maintains its accounts in accordance with Generally Accepted Accounting Principles (“GAAP”) utilizing fund accounting and two separate and distinct funds: Operating and Reserve.
- The Operating Fund is utilized for general daily operations of the Association while the Reserve Fund is utilized to accumulate and account for funds specifically designated for major repairs and replacements of existing facilities and infrastructure.
- Fund accounting further divides and allocates activities within the Operating Fund into divisions for budgeting, tracking and reporting purposes: General, Recreation, Property as well as segment divisions Vanderhorst Gate (V-Gate), Preserve and Ocean Park.
- With direction from the Finance Committee and BOD, although activities will continue to be tracked separately, the internal financial statements will now combine the Recreation and Property Fund activities into General Operating for reporting purposes.
- The Operating and Reserve Fund activities are mutually exclusive and reported separately, not consolidated, in the income statement presentations to reflect that distinction.

# Cash Management Framework

The chart on the following page depicts the framework implemented by the BOD to manage KICA's cash and investments.

**Operating Cash and Investments** are comprised of those resources needed for current year operating expenditures and are managed by the Director of Finance within the guidelines established by the BOD-approved Financial Controls Manual ("FCM"). The FCM restricts the investment of these funds to short-term investments with maturities not to exceed 12 months. Any funds transferred to the KICA Investment Advisor are governed by the Operating Cash Investment Policy Statement ("IPS").

**Designated Cash and Investments** are comprised of resources that are designated to repair & replace named depreciated assets with useful lives up to 7 years, unique events (named storm reserve), Segment cash balances and other assets that don't fit the purpose of the Reserve Fund and are not needed for current operations. These resources are transferred to and managed by the Investment Advisor within the Designated Cash Fund IPS with the flexibility of slightly longer-term maturities (24 months) and the potential for higher yields.

**Reserve Fund Cash and Investments** are resources governed by the KICA Reserve Fund Policy. These funds are transferred to and managed by the KICA Investment Advisor within the guardrails and performance benchmarks established by the Reserve Fund Investment Policy Statement.

# Q4 2024: EXECUTIVE SUMMARY

## Cash Management Status

	12/31/24 Bal	Managed by:	Governing Policy
<b>Operating</b> - Checking	\$370,450	Director of Finance	FCM
<b>Operating</b> - interest bearing sweep	\$1,426,581	Director of Finance	FCM
<b>Operating</b> – U.S. Fed MM	\$403,036	Director of Finance	FCM
<b>Operating</b> - Investments up to 12-month maturities	\$584,258	Dir of Finance / Investment Advisor	FCM / <u>Operating Cash IPS</u>
<b>Designated</b> - Investments up to 24-month maturities	\$4,267,909	Investment Advisor	FCM / <u>Designated Cash IPS</u>
Reserve -ST investments	\$938,217		
Reserve - CDs	\$248,086	Investment Advisor	Reserve Fund Policy <u>Reserve Fund IPS</u>
Reserve - Bonds/Treasuries	\$11,998,121		
Reserve - Stocks / ETFs / Mutual Funds	\$8,069,787		
<b>Total Consolidated Cash &amp; Investments</b>	<b>\$28,306,445</b>		

Please note: The interest-bearing sweep balance was significantly higher to ensure sufficient balances for year end and subsequent expenditures and to account for key staff holiday schedules. A perpetual, detailed cash flow analysis is maintained by the Dir of Finance that guides the allocation amongst the 4 Operating categories.

# Consolidated Balance Sheet (unaudited)

**OPERATING FUND CASH** is comprised of petty cash, checking and sweep accounts. Cash is maintained in the General Division (Operating Fund) bank accounts. In the accounting records, funds are allocated to each division and Reserve Fund based on normal fund accounting procedures.

## **INVESTMENTS**

Please refer to Cash Management on the previous page and the Cook Street/Morgan Stanley investment report available at [kica.us/about/financials](http://kica.us/about/financials) for investment performance and analysis.

All investment policy statements (“IPS”) can also be found at [kica.us/about/financials](http://kica.us/about/financials).

# Q4 2024: EXECUTIVE SUMMARY

## Consolidated Balance Sheet (unaudited)

### ACCOUNTS RECEIVABLE

Uncollected annual assessments, accrued royalties, accrued CTR and monthly member billing activities account for the receivables balance.

As of 12/31/24, there remained 3 Outstanding liens in the amount of \$9K on 2024 assessments, including \$276 in flood assessments. The June, 2024 flood billing was the last of the 5-year installments.

After year end, KICA was notified that 1 property was being sold and outstanding amounts were being paid after which 2 liens worth \$4.8K will be outstanding on 2024 business.

### PREPAID EXPENSES

These include 4 months of KICA's insurance portfolio premiums (annual premium paid in May 2024 to eliminate financing), Sandcastle vendor down payments to hold future events and deposits on MRR contractor work.

### PAYROLL LIABILITIES

A significant portion of these are accumulated vacation time not yet taken. Vacation is accrued as it is earned; offset against the accrual when taken. Also included is payroll incurred in December but paid in January.

### DEPOSITS

Includes deposits paid to vendors for future Sandcastle events as well as overpayments from members for which credits are issued against the ensuing year assessment billing.

### ACCOUNTS PAYABLE

Accounts payable is current.

## Consolidated Balance Sheet (unaudited)

### **FLOOD MITIGATION SPECIAL ASSESSMENT DEFERRED REVENUE**

The deferred balance represents flood assessment billings (final billing was June 2024) in excess of expenditures incurred which is when revenue is recognized.

In accordance with the member vote in 2020, any unspent funds after completion of all projects are restricted solely for major repairs and maintenance of those projects and future water management needs.

In 2024, ~\$58K of expenditures were incurred, leaving a balance \$1,231,572 yet to be incurred. The remainder of the flood mitigation projects has been placed under contract for \$698K of which \$40K was spent in 2024. The balance will be completed in Q1, 2025.

The remaining \$574K of unspent funds will stay in Deferred Revenue on the balance sheet until expenditures related to the maintenance of these flood mitigation projects or of new projects are incurred.

### **ROYALTY INCOME DEFERRED REVENUE**

The 2014 agreement with Comcast includes an upfront payment that is recorded here and amortized to revenue over the 12-year agreement. The amount to be amortized within the next 12 months is recorded in the current liabilities section.

## Consolidated Balance Sheet (unaudited)

### RECREATION DIVISION

The Recreation Division balance sheet, now being included in the General Operating column, operates at a net deficit each year and is funded by the Operating Fund. The deficit funding for 2024 is expected to be \$791K compared to the budgeted \$863K. The variance occurring from slight increases in event fee revenue and overall savings in operating expenses.

### V-GATE DIVISION

Budgeted building repairs and maintenance on the V-Gate in 2024 were delayed to 2025 due to a delay in the delivery of materials. The budgeted \$110k deficit is projected to be a ~\$32K surplus, resulting in an approximate year end fund balance of \$315K.

### OP/PRESERVE DIVISIONS

Historically, Ocean Park and Preserve Segments' revenues (assessments) and expenses have been tracked on separate and distinct income statements. Each have required supplemental funding from the Operating Fund until such time as the communities matured to self-sufficiency.

The Preserve achieved that milestone in 2022 and have accumulated and tracked operating surplus/deficit within the balance sheet fund balance since.

The Preserve 2024 budget strategy included decreasing the assessment in order to draw down its fund balance. Its net deficit is expected to approximate \$93K against a budget of \$88K with a year end fund balance approximating \$3K.



## Consolidated Balance Sheet (unaudited)

### **OP/PRESERVE DIVISIONS** (continued)

The Ocean Park community achieved self-sufficiency in 2024 and has been separated on the balance sheet as well.

Ocean Park is expected to have a 2024 year-end fund balance of approximately \$30K compared to \$16K reported in the last Quarterly Report. The variance resulted from ~\$22K savings in pine straw and irrigation costs and slightly better than expected assessment revenue.

### **PROPERTY DIVISION**

The Property Division is now being included in the General Operating column of the balance sheet with fixed asset balances delineated.

The Asset replacement \$ (formerly funded depreciation) included in General Operating cash/investments total ~\$2.9M and represent designated funds available to replace existing fixed assets with useful lives of 7 years or less. These assets are not part of the Reserve Fund major repairs and replacement process.

### **RESERVE FUND BALANCE**

The Reserve fund balance is 100% restricted for major repairs and replacements. Reserve Fund resources will only be utilized for these activities.

# Q4 2024: EXECUTIVE SUMMARY

## Operating Fund Income Statement (unaudited)

### ASSESSMENTS

The variance to budget results from \$1M budgeted for unspent flood assessment that will stay in deferred on the balance sheet until expenditures are incurred and a slight overestimate of overall assessments in the budgeting process.

**Contribution to Reserves (“CTR”) and Access Fees** appear as a separate line on the Operating Fund income statement but were budgeted as Other Income. This is the 15% of CTR and Access Fees attributed to the Operating Fund for managing those activities. Total CTR for 2024 were ~4.9M against the \$4M budget. Sales exceeded expectations throughout the year and continued to do so in the 4<sup>th</sup> quarter.

The Cape accounted for \$1.538M (budgeted \$1.4M) of the total CTR. Total CTR is budgeted to take a dip in 2025 (\$2.5M) due to no developments scheduled to come on board until 2027.

### 5-year CTR

2024	2023	2022	2021	2020
\$4.9M	\$3.2M	\$3.4M	\$4.6M	\$3.8M

Combined Access Fees from Operating and Reserve Funds total ~\$2.9 against a budget of \$2.84M.

# Operating Fund Income Statement

(unaudited)

## USER INCOME

This revenue stream results completely from the Recreation department, including community events and recreation and summer grill activities.

In general, these activities tracked ahead of budget with revenues of ~\$663K exceeding the budget of \$~586K.

## OTHER INCOME

The 15% allocation of CTR and access fees is now recorded in their own line item which causes the significant variance in this line item.

Other Income is comprised of landscape & security services revenue (i.e., pine straw, landscaping, citations, etc.), the Recreation Division initiation fee charged at time of property sale, Preserve Division revenue from the BOD contribution to expenses and other miscellaneous revenues. These areas are tracking well against budget.

# Operating Fund Income Statement

(unaudited)

## **PAYROLL**

Overall, payroll related costs tracked well against budget.

### **Employee Benefits**

Employee benefits includes KICA's self-insurance health program, dental, short and long-term disability and life insurance programs, the 401k match and the travel stipend for employee commutes.

Overall, this area is tracking well against budget.

Toward the end of 2023, the BOD approved KICA moving to a self-funded, health insurance collective. A 3<sup>rd</sup> party administrator manages the program (claims, network, participant interaction, cost containment, etc.). KICA pays a contract fee for these services, a stop-loss fee and actual claims costs. The budget includes the fees which are fixed and the maximum exposure on the variable claims cost.

KICA is tracking claims costs and frequently communicating with the administrator regarding proactive cost containment measures. The administration of the program is going very well.

# Operating Fund Income Statement

(unaudited)

## **BUILDING/EQUIPMENT R/M**

This area performed well against budget primarily because of ~\$80K of budgeted V-gate work being postponed to 2025 (budgeted) due to delays in the delivery of materials.

Additional savings against budget were also experienced in Pool R/M (\$20K), Other Equipment R/M (\$16K) and Janitorial (\$16K).

## **COMMON AREA R/M**

This area is expected to exceed budget by ~\$400K due to unbudgeted Named Storm cleanup. The Finance Committee recommended and the Board concurred that these costs be replenished from the 2024 Operating Fund in order to maintain the Named Storm Reserve at \$1M.

## **G&A EXPENSES**

Generally, performed well against budget.

# Operating Fund Income Statement

(unaudited)

## INVESTMENT INCOME

Please refer to the Cook Street/Morgan Stanley investment report available at [kica.us/about/financials](http://kica.us/about/financials) for investment performance and analysis.

Amounts not immediately needed for weekly expenditures were diligently invested in federal money market funds and treasuries earning 4.75% - 5% throughout the quarter.

As a result, investment income performed very well against the conservative budget.

## ROYALTY INCOME

Royalty Income results from the Comcast relationship initiated in 2014 and includes the amortization of the upfront payment (\$50K/yr) and marketing royalties net of commissions of (\$273K).

## INTERFUND TRANSFERS

The \$1M interfund transfer is the estimated unspent flood mitigation special assessment at budget time.

As previously mentioned, unspent funds will remain in deferred income until expenditures for this specific purpose are incurred.

# Operating Fund Income Statement

(unaudited)

## **GAINS (LOSSES)**

The Gains (Losses) line represents a combination of fixed asset and investment activity. Unrealized gains on investments which are unbudgeted totaled \$93K.

Gains on sale and disposal of assets netted \$19K against a budget of \$42k. This variance resulted from the delay in the selling of several replaced assets as well as writing off of several assets that hadn't reached their useful life.

## **DEPRECIATION**

The variance in depreciation resulted because budgeted depreciation contemplated the addition of the Kayak storage (\$681K) which was delayed indefinitely by the Board.

# Reserve Fund Income Statement

(unaudited)

## **CONTRIBUTION TO RESERVES (“CTR”) and ACCESS FEES**

See description in Operating Fund Income Statement on page 10.

## **INTERFUND TRANSFER**

See explanation on p. 14 under same title.

## **INVESTMENT INCOME**

The investment portfolio performed well, resulting in good performance against budget for investment income and unrealized investment gains (unbudgeted).

Please refer to the Cook Street/Morgan Stanley investment report available at [kica.us/about/financials](http://kica.us/about/financials) for more detailed investment performance and analysis.



## Reserve Fund Income Statement (unaudited)

### RESERVE OPERATING EXPENSES

Reserve operating expenses saw significant savings as described below:

#### LCI

- \$27K savings in the budgeted pond pruning project
- \$12K savings on the Bass Creek/Otter Island vegetation pruning
- Budgeted allowances were not needed in 2024

### MRR

- \$966K budgeted for 15% CTR/Access Fee attributed to the Operating Fund was recorded directly to Operating Fund income with \$0 actuals in the MRR expense
- \$150K Inlet Cove Slope 4 project moved to 2025 – delayed to wait for completion of Slope 3 warranty work
- \$450K due to Sandcastle door/window and grill deck projects delayed to 2025 – waiting on full approvals and timing of closure
- In addition, general savings across other projects and budgeted allowances were not utilized

Q4 2024 FINANCE REPORT

**Consolidated  
Balance Sheet**  
(unaudited)



# Q4 2024: CONSOLIDATED BALANCE SHEET (unaudited)

	----- Operating Fund -----					Reserve Fund	Consolidated
	General Operating *	V-Gate	Ocean Park	Preserve	Operating Combined		
<b>ASSETS</b>							
<b>Current Assets</b>							
Operating Cash	1,797,031	0	0	0	1,797,031	0	1,797,031
Investments	4,906,187	315,821	29,936	3,259	5,255,203	21,254,211	26,509,414
Accounts Receivable	279,157	50	0	103	279,309	(66,816)	212,493
Prepaid Expenses	537,372	0	0	0	537,372	45,000	582,372
<b>Total Current Assets</b>	<b>7,519,747</b>	<b>315,871</b>	<b>29,936</b>	<b>3,362</b>	<b>7,868,915</b>	<b>21,232,395</b>	<b>29,101,310</b>
<b>Fixed Assets</b>							
Depreciable Assets (net of accum. depr.)	2,223,652	0	0	0	2,223,652	0	2,223,652
Land	408,448	0	0	0	408,448	0	408,448
<b>Total Fixed Assets</b>	<b>2,632,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,632,100</b>	<b>0</b>	<b>2,632,100</b>
<b>TOTAL ASSETS</b>	<b>10,151,847</b>	<b>315,871</b>	<b>29,936</b>	<b>3,362</b>	<b>10,501,015</b>	<b>21,232,395</b>	<b>31,733,410</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Current Liabilities</b>							
Payroll Liabilities	405,874	0	0	0	405,874	0	405,874
Deposits and Prepaid Assessments	79,379	0	0	0	79,379	0	79,379
Accounts Payable and Accrued Liabilities	974,610	0	0	0	974,610	0	974,610
Deferred Revenue - Royalty Income	50,157	0	0	0	50,157	0	50,157
<b>Total Current Liabilities</b>	<b>1,510,019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,510,019</b>	<b>0</b>	<b>1,510,019</b>
<b>Non-Current Liabilities</b>							
Deferred Revenue - Flood Mitigation	1,231,572	0	0	0	1,231,572	0	1,231,572
Deferred Revenue - Royalty Income	50,158	0	0	0	50,158	0	50,158
<b>Total Non-Current Liabilities</b>	<b>1,281,730</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,281,730</b>	<b>0</b>	<b>1,281,730</b>
<b>Total Fund Balance</b>	<b>7,360,097</b>	<b>315,871</b>	<b>29,936</b>	<b>3,362</b>	<b>7,709,266</b>	<b>21,232,395</b>	<b>28,941,661</b>
<b>TOTAL LIABILITIES/FUNDS</b>	<b>10,151,847</b>	<b>315,871</b>	<b>29,936</b>	<b>3,362</b>	<b>10,501,015</b>	<b>21,232,395</b>	<b>31,733,410</b>

\* - Note: General Operating includes the Recreation and Property Funds

Q4 2024 FINANCE REPORT

**Operating Fund:  
Income Statement**  
(unaudited)



# Q4 2024: OPERATING FUND INCOME STATEMENT

(unaudited)

	Actual	Budget	\$ Variance	% Variance
<b>Operating Revenues</b>				
Assessments	12,818,182	13,860,327	(1,042,146)	-7.5%
Contribution to Reserves	735,833	0	735,833	0.0%
Commercial Access Fees	430,488	0	430,488	0.0%
Recreation Income	663,376	586,215	77,161	13.2%
Other Income	435,294	1,437,248	(1,001,953)	-69.7%
<b>Total Operating Revenues</b>	<b>15,083,173</b>	<b>15,883,790</b>	<b>(800,617)</b>	<b>-5.0%</b>
<b>Operating Expense</b>				
Payroll Expenses	7,695,875	7,926,420	230,545	2.9%
Employee Benefits	1,683,555	1,635,871	(47,684)	-2.9%
Building/Equipment R/M	693,889	861,463	167,573	19.5%
Common Area R/M	3,009,566	2,593,795	(415,771)	-16.0%
General & Administrative Expenses	2,812,737	2,839,599	(26,863)	-1.0%
<b>Total Operating Expense</b>	<b>15,895,623</b>	<b>15,857,148</b>	<b>(38,475)</b>	<b>0.0%</b>
<b>Excess (deficit) operating rev over exp</b>	<b>(812,449)</b>	<b>26,642</b>	<b>(839,091)</b>	<b>-3033.0%</b>
<b>Non-operating Income (Expense)</b>				
Investment Income (Loss)	554,082	341,000	213,082	62.5%
Royalty Income	322,684	324,656	(1,972)	-0.6%
Interfund Transfers	0	(1,000,000)	1,000,000	100.0%
Gains (Losses)	112,436	42,000	70,436	-167.7%
Depreciation	(316,756)	(342,736)	25,979	-7.6%
<b>Total Non-Operating Income (Exp)</b>	<b>672,445</b>	<b>(635,079)</b>	<b>1,307,524</b>	<b>205.9%</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(140,004)</b>	<b>(608,437)</b>	<b>468,433</b>	<b>77.0%</b>

# Q4 2024: OPERATING FUND INCOME STATEMENT

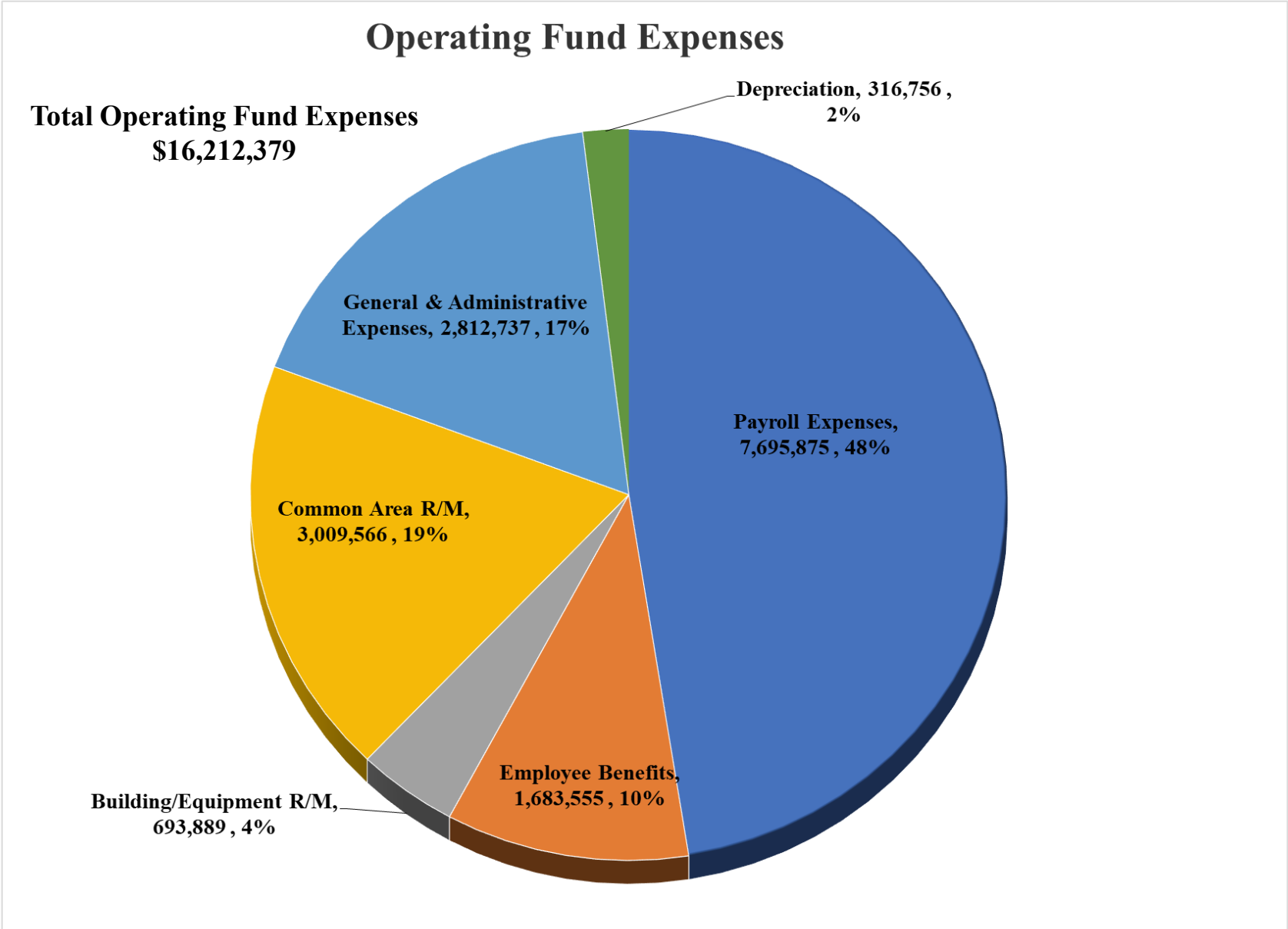
(unaudited)

## Operating Fund Income Chart

Assessments	12,818,182	79.8%
Contribution to Reserves	735,833	4.6%
Commercial Access Fees	430,488	2.7%
Recreation Income	663,376	4.1%
Other Income	435,294	2.7%
Investment	554,082	3.4%
Royalty	322,684	2.0%
Gains	112,436	0.7%
<b>Total Operating Revenues</b>	<b>16,072,375</b>	<b>100.0%</b>

# Q4 2024: OPERATING FUND INCOME STATEMENT

(unaudited)



Q4 2024 FINANCE REPORT

**Reserve Fund:  
Income Statement**  
(unaudited)

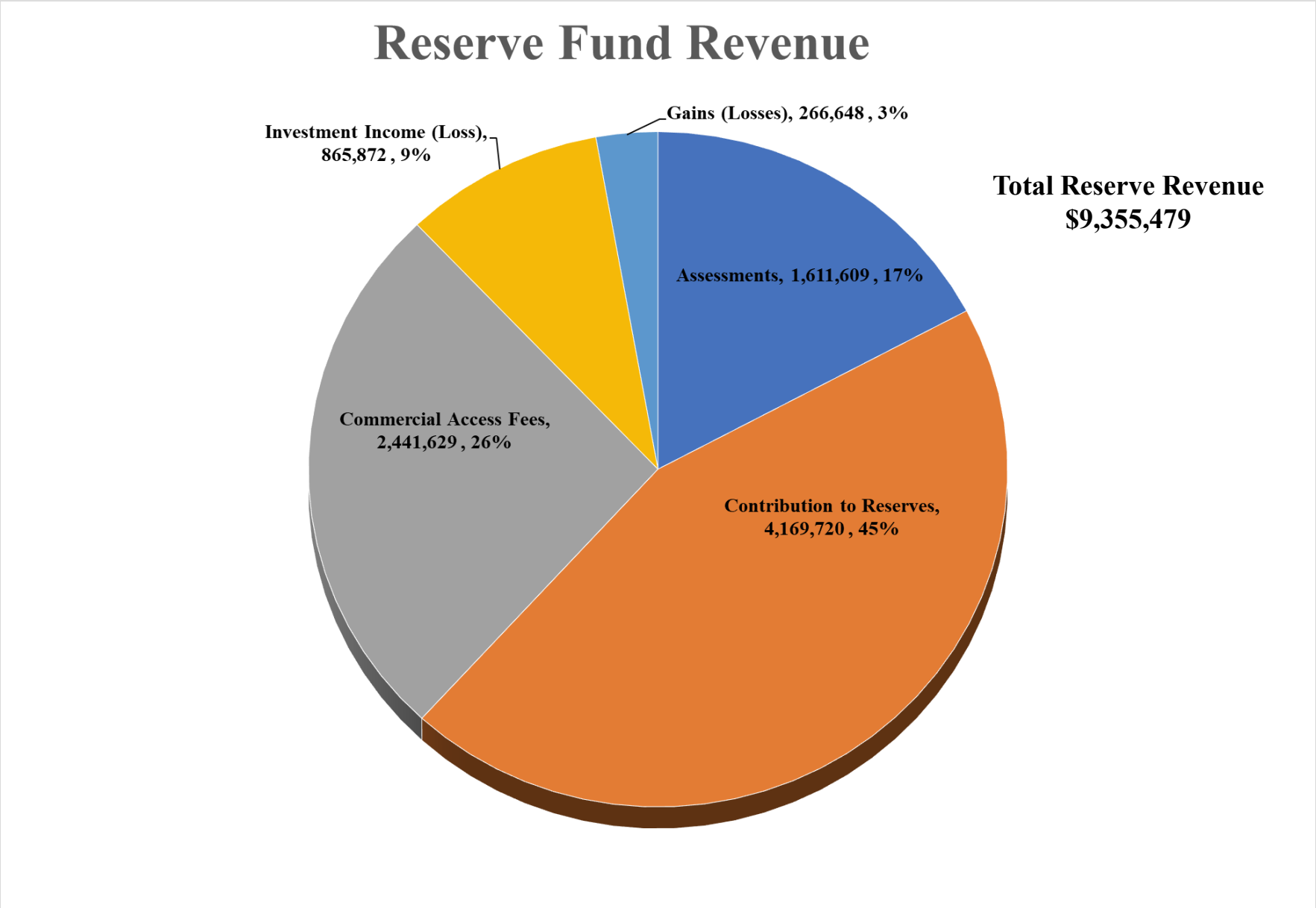




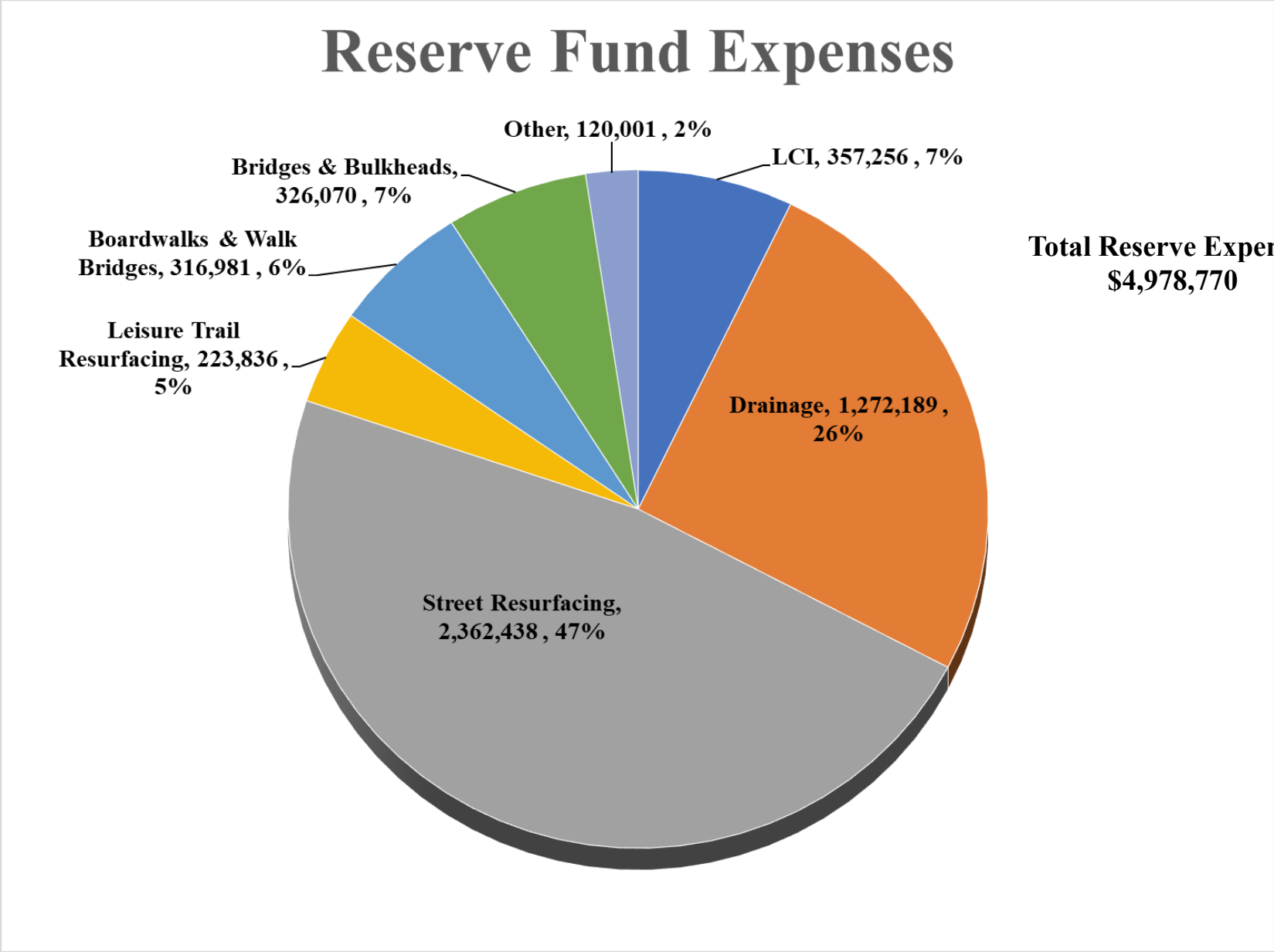
# Q4 2024: RESERVE FUND INCOME STATEMENT (unaudited)

	Actual	Budget	\$ Variance	% Variance
<b>Operating Revenues</b>				
Assessments	1,611,609	1,563,495	48,114	3.1%
Contribution to Reserves	4,169,720	4,000,000	169,720	4.2%
Commercial Access Fees	2,441,629	2,823,922	(382,293)	-13.5%
<b>Total Operating Revenues</b>	<b>8,222,958</b>	<b>8,387,417</b>	<b>(164,459)</b>	<b>-2.0%</b>
<b>Operating Expense</b>				
Capital Projects - LCI	357,256	415,000	57,744	13.9%
Capital Projects - MRR	4,621,514	6,601,953	1,980,439	30.0%
<b>Total Operating Expense</b>	<b>4,978,769</b>	<b>7,016,953</b>	<b>2,038,184</b>	<b>29.0%</b>
<b>Excess (deficit) operating rev over exp</b>	<b>3,244,189</b>	<b>1,370,464</b>	<b>1,873,725</b>	<b>136.7%</b>
<b>Non-operating Income (Expense)</b>				
Investment Income (Loss)	865,872	889,000	(23,128)	-2.6%
Interfund Transfers	0	1,000,000	1,000,000	100.0%
Gains (Losses)	266,648	0	(266,648)	0.0%
<b>Total Non-Operating Income (Exp)</b>	<b>1,132,520</b>	<b>1,889,000</b>	<b>(756,480)</b>	<b>-40.0%</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>4,376,709</b>	<b>3,259,464</b>	<b>1,117,245</b>	<b>34.3%</b>

# Q4 2024: RESERVE FUND INCOME STATEMENT (unaudited)



# Q4 2024: RESERVE FUND INCOME STATEMENT (unaudited)



**Total Reserve Expenses**  
**\$4,978,770**