



# **Kiawah Island Community Association, Inc.**

**Independent Auditor's Report, Financial Statements,  
and Required Supplementary Information**

December 31, 2024



**Kiawah Island Community Association, Inc.**  
**Contents**  
**December 31, 2024**

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**Contents**

**Independent Auditor’s Report**..... 1

**Financial Statements**

    Balance Sheet ..... 3

    Statement of Revenues, Expenses and Changes in Fund Balances ..... 4

    Statement of Cash Flows ..... 5

    Notes to the Financial Statements ..... 6

**Required Supplementary Information**

    Required Supplementary Information on Future Major Repairs and Replacements  
    (Unaudited)..... 15

## **Independent Auditor's Report**

Board of Directors  
Kiawah Island Community Association, Inc.  
Kiawah Island, South Carolina

### ***Opinion***

We have audited the financial statements of Kiawah Island Community Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2024, and the changes in its fund balance 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 (GAAS). 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 the Association 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.

### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the Association's ability to continue as a going concern within one year after the date that these 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 GAAS 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 GAAS, 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 the Association'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 the Association'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***Report on Summarized Comparative Information***

We have previously audited the Association's 2023 financial statements, and our report dated March 19, 2024, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements as identified in the table of contents 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.

**Forvis Mazars, LLP**

**Greenville, South Carolina  
March 18, 2025**

**Kiawah Island Community Association, Inc.**  
**Balance Sheet**  
**December 31, 2024**  
(with summarized financial information for December 31, 2023)

	Operating Fund	Reserve Fund	Total 2024	Total 2023
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,131,905	\$ 348,427	\$ 2,480,332	\$ 4,752,881
Investments	4,524,491	21,111,194	25,635,685	19,298,652
Accrued interest receivable	31,708	70,705	102,413	88,141
Accounts receivable	187,604	17,402	205,006	107,943
Royalty receivable	95,500	-	95,500	85,500
Prepaid expenses	537,373	45,000	582,373	388,289
<b>Total Current Assets</b>	<b>7,508,581</b>	<b>21,592,728</b>	<b>29,101,309</b>	<b>24,721,406</b>
<b>Noncurrent Assets</b>				
Property and equipment, net	2,632,101	-	2,632,101	2,606,505
<b>Total Noncurrent Assets</b>	<b>2,632,101</b>	<b>-</b>	<b>2,632,101</b>	<b>2,606,505</b>
<b>Total Assets</b>	<b>\$ 10,140,682</b>	<b>\$ 21,592,728</b>	<b>\$ 31,733,410</b>	<b>\$ 27,327,911</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 415,444	\$ 315,627	\$ 731,071	\$ 774,299
Accrued payroll liabilities	93,207	-	93,207	318,951
Accrued annual leave	312,667	-	312,667	389,204
Accrued expenses	177,456	44,707	222,163	81,508
Deferred revenue - prepaid assessments	1,231,572	-	1,231,572	887,925
Deferred revenue - royalty income	50,157	-	50,157	50,157
Deposits	79,379	-	79,379	20,600
<b>Total Current Liabilities</b>	<b>2,359,882</b>	<b>360,334</b>	<b>2,720,216</b>	<b>2,522,644</b>
<b>Noncurrent Liabilities</b>				
Deferred revenue - royalty income	50,158	-	50,158	100,314
<b>Total Noncurrent Liabilities</b>	<b>50,158</b>	<b>-</b>	<b>50,158</b>	<b>100,314</b>
<b>Total Liabilities</b>	<b>2,410,040</b>	<b>360,334</b>	<b>2,770,374</b>	<b>2,622,958</b>
<b>Fund Balances</b>	<b>7,730,642</b>	<b>21,232,394</b>	<b>28,963,036</b>	<b>24,704,953</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,140,682</b>	<b>\$ 21,592,728</b>	<b>\$ 31,733,410</b>	<b>\$ 27,327,911</b>

**Kiawah Island Community Association, Inc.**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**Year Ended December 31, 2024**  
**(with summarized financial information for the Year Ended December 31, 2023)**

	Operating Fund	Reserve Fund	2024 Total	2023 Total
<b>Operating Revenues</b>				
Assessments	\$ 12,818,181	\$ 1,611,609	\$ 14,429,790	\$ 13,873,103
Other income	385,829	-	385,829	744,424
Recreation initiation fees	663,377	-	663,377	51,150
Contributions to reserve	735,833	4,169,720	4,905,553	3,231,816
Access fees	430,489	2,441,629	2,872,118	2,324,811
<b>Total Operating Revenues</b>	<b>15,033,709</b>	<b>8,222,958</b>	<b>23,256,667</b>	<b>20,225,304</b>
<b>Operating Expenses</b>				
General and administrative	4,543,042	-	4,543,042	4,313,938
Land management	3,211,911	-	3,211,911	2,519,793
Lakes management	494,499	-	494,499	403,338
General maintenance	732,965	-	732,965	825,587
Security - main gate	3,310,266	-	3,310,266	2,739,415
Mechanic's shop	224,093	-	224,093	217,370
Livability	245,875	-	245,875	251,053
Recreation operations	2,513,288	-	2,513,288	2,328,281
Security - second gate	212,051	-	212,051	205,655
Major repairs and replacements	-	4,621,514	4,621,514	3,926,673
Landscape - capital improvements	-	357,256	357,256	414,275
Landscape maintenance - Ocean Park neighborhood	178,062	-	178,062	229,877
Landscape maintenance - Preserve neighborhood	180,101	-	180,101	310,080
<b>Total Operating Expenses</b>	<b>15,846,153</b>	<b>4,978,770</b>	<b>20,824,923</b>	<b>18,685,335</b>
<b>Operating Income (loss)</b>	<b>(812,444)</b>	<b>3,244,188</b>	<b>2,431,744</b>	<b>1,539,969</b>
<b>Non-Operating Income (Expenses)</b>				
Investment income, net	554,081	865,872	1,419,953	974,662
Royalty income	344,059	-	344,059	336,092
Gain on disposition of property and equipment	18,945	-	18,945	40,324
Unrealized gain on investments	93,490	266,648	360,138	681,126
Provision for depreciation	(316,756)	-	(316,756)	(363,135)
<b>Total Non-Operating Income</b>	<b>693,819</b>	<b>1,132,520</b>	<b>1,826,339</b>	<b>1,669,069</b>
<b>Excess (Deficit) of Revenues Over Expenses</b>	<b>(118,625)</b>	<b>4,376,708</b>	<b>4,258,083</b>	<b>3,209,038</b>
<b>Fund Balance, Beginning of Year</b>	<b>7,849,267</b>	<b>16,855,686</b>	<b>24,704,953</b>	<b>21,495,915</b>
<b>Fund Balance, End of Year</b>	<b>\$ 7,730,642</b>	<b>\$ 21,232,394</b>	<b>\$ 28,963,036</b>	<b>\$ 24,704,953</b>

**Kiawah Island Community Association, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2024**  
**(with summarized financial information for the Year Ended December 31, 2023)**

	Operating Fund	Reserve Fund	Total 2024	Total 2023
<b>Cash Flows from Operating Activities</b>				
Excess (deficit) of revenues over expenses	\$ (118,625)	\$ 4,376,708	\$ 4,258,083	\$ 3,209,038
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
Provision for depreciation	316,756	-	316,756	363,135
Gain on disposition of property and equipment	(18,945)	-	(18,945)	(40,324)
Net unrealized gains on investments	(93,490)	(266,648)	(360,138)	(681,126)
Change in operating assets and liabilities:				
Accrued interest receivable	9,030	(23,302)	(14,272)	(43,930)
Accounts receivable	(101,694)	4,631	(97,063)	99,292
Royalty receivable	(10,000)	-	(10,000)	82,696
Prepaid expenses	(149,084)	(45,000)	(194,084)	(50,181)
Accounts payable	130,874	(174,102)	(43,228)	(272,146)
Accrued payroll liabilities	(225,744)	-	(225,744)	36,426
Accrued annual leave	(76,537)	-	(76,537)	26,763
Accrued expenses	95,948	44,707	140,655	24,691
Deferred revenue - prepaid assessments	343,647	-	343,647	653,672
Deferred revenue - royalty income	(50,156)	-	(50,156)	(50,156)
Deferred revenue - special assessments	-	-	-	(659,575)
Deposits	58,779	-	58,779	(10,000)
<b>Net Cash Provided by Operating Activities</b>	<b>110,759</b>	<b>3,916,994</b>	<b>4,027,753</b>	<b>2,688,275</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(354,907)	-	(354,907)	(237,894)
Proceeds from sale of property and equipment	31,500	-	31,500	50,563
Purchases of investments, net	1,339,203	(7,316,098)	(5,976,895)	(2,798,694)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1,015,796</b>	<b>(7,316,098)</b>	<b>(6,300,302)</b>	<b>(2,986,025)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,126,555</b>	<b>(3,399,104)</b>	<b>(2,272,549)</b>	<b>(297,750)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,005,350</b>	<b>3,747,531</b>	<b>4,752,881</b>	<b>5,050,631</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,131,905</b>	<b>\$ 348,427</b>	<b>\$ 2,480,332</b>	<b>\$ 4,752,881</b>

## Notes to the Financial Statements

### Note 1. Organization and Operations

Kiawah Island Community Association, Inc. (the “Association”) is a non-stock corporate property owners' association whose Declaration of Covenants and Restrictions were originally adopted on December 21, 1977, and as subsequently amended. In addition, on July 8, 2010, the Internal Revenue Service approved the Association's application to be treated as a tax-exempt entity. The Association's primary purpose is to maintain the common areas of and to provide various services to the property owners of Kiawah Island Community Association, Inc. The Association is geographically located on Kiawah Island. Kiawah Island is approximately 10,000 acres and is located within a coastal region 21 miles south of Charleston, South Carolina. The Association consists of approximately 4,500 residential properties, of which approximately 91% are improved, 73 commercial properties and various common areas including roads, ponds, recreational facilities, pathways, nature trails and various other forms of infrastructure. The Association is a gated community and is the master association for Kiawah Island, including both residential and commercial properties.

### Note 2. Summary of Significant Accounting Policies

#### ***Basis of accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Using this method, revenues are recognized when earned and expenses are recognized when incurred.

#### ***Basis of presentation***

To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting for reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and Association's management. Disbursements from reserve funds may be utilized for items such as building repairs, pavement resurfacing, infrastructure replacements and other similar repairs or additions. Financial resources are classified for accounting and reporting purposes in the following funds which are established in accordance to their nature and purpose:

- **Operating Fund** - This fund is used to account for financial resources available for the general daily operations of the Association, including administration, security and livability, routine maintenance, recreation and amenity operations.
- **Reserve Fund** - This fund is used to accumulate and account for funds designated for major repairs and replacements of existing facilities and equipment, board-approved capital projects, major landscape repairs and replacements, and ongoing landscape capital projects.

#### ***Use of estimates***

The preparation of financial statements in conformity with U.S. GAAP 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.



**Kiawah Island Community Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2024**

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***Concentration of credit risk***

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents held at financial institutions, investments, and receivables.

The Association has cash and cash equivalents in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). At various times throughout the year, the Association may have cash balances at financial institutions that exceed the insured amount. Deposit and investment accounts are maintained with what management believes to be quality institutions. At December 31, 2024 and 2023, the Association's cash accounts exceeded federally insured limits by approximately \$800 and \$210,730, respectively.

Concentrations of credit risk with respect to receivables are limited due to the large number of members comprising the Association's member base and the Association's ability to place liens on members' properties. All other receivables are deemed unsecured.

***Cash and cash equivalents***

The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

***Investments***

Investments consist of mutual funds which hold corporate equity stocks, and other securities, exchange traded funds, corporate and municipal bonds, government securities, money market funds, certificates of deposit and other short-term credit investments.

Investments are carried at fair value as quoted on major stock exchanges and other active markets or based on interest rates and yield curves.

Realized gains and losses resulting from the sale of securities are included in investment income, net, within the statement of revenues, expenses and changes in fund balances.

***Accounts receivable***

Association members are subject to annual assessments to provide for the Association's operating expenses and future repairs and improvements. The composition of accounts receivable varies depending upon the time of year. Annual assessments occur at the first of each year with approximately 90% paid within the first three months. Outside of those activities, accounts receivable consist primarily of ancillary charges to members, contractors and vendors.

The Association's policies provide that assessments are due thirty (30) days from the date of mailing in the calendar year they are levied. Finance charges of 1.5% per month are added to all accounts unpaid after 30 days. The Association seeks legal counsel and places liens on properties owned by members whose dues are delinquent 120 days or more. An allowance for credit losses is determined based on historical experience and management's assessment of the current state of each receivable. As of December 31, 2024 and 2023, the Association's management believes that all material receivable balances are collectible, and no allowance for credit losses is considered necessary.

**Kiawah Island Community Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2024**

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***Property and equipment***

The Association owns significant amounts of common property and improvements, including common areas and rights of way, roadways, leisure trails and lakes. In accordance with industry standards and because they cannot typically be sold, common property acquired from the developer is not recognized on the Association’s financial statements. Replacements and improvements to common property are the responsibility of the Association and such costs are expensed as incurred.

Property and equipment purchases that exceed \$2,500 with useful lives over one year acquired by the Association are capitalized and recorded at cost. The Association provides for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Buildings and improvements	5-40 years
Furniture and equipment	3-15 years
Vehicles and trailers	3-10 years

Maintenance and repair costs are charged to expense as incurred.

***Deferred revenue***

Deferred revenue represents amounts collected in advance of the contract period or amounts billed in excess of revenue recognized.

***Revenue recognition***

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied at transaction amounts expected to be received. The Association’s revenue from contracts with customers is generated primarily from the sale of consumable products or services including vehicle access fees, food and beverage sales, event fees, and equipment and facility rental fees, among others. Customers are billed at the time of service or consumption of products.

General, Amenity, Segments, and Supplemental Reserve Assessment revenues are recognized when they are earned. The assessments are billed to residents in accordance with the governing documents. Revenue is reported at the amount of consideration the Association expects to be entitled in exchange for providing these services. The Association determines the transaction price based on the Board of Directors approved standard assessment charges for each type of property.

Special assessments are assessed for specified purposes by vote of the membership. Revenues associated with special assessments are recognized as the funds are expended for their designated purpose.

As prescribed by the Association’s covenants, contributions to reserve revenues result from a 0.5% transfer fee charged when ownership of a property changes and are recognized at closing. Revenue is recognized at the time of transfer due to the Association fulfilling its performance obligation.

**Kiawah Island Community Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Income tax status**

In July 2010, the Association was approved as a social welfare organization under Internal Revenue Code section 501(c)(4). With exception of profit derived from unrelated business activities, the Association is exempt from federal and state income taxes. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Association’s tax returns will not be challenged by authorities and that the Association will not be subject to tax, penalties and interest as result of those challenges. Management has determined that the Association does not have any uncertain tax positions which materially impact the financial statements or related disclosures. The Association’s tax returns remain available for examination by government authorities for three years subsequent to their original filing.

**Reclassifications**

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement preparation. These reclassifications had no effect on the change in net assets.

**Summarized Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by fund balance. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association’s financial statements for the year ended December 31, 2023, from which the summarized information was derived.

**Subsequent events**

Subsequent events were evaluated by management through March 18, 2025, which is the date the financial statements were available to be issued.

**Note 3. Owner’s Assessments**

The Finance Committee recommends an annual budget of revenues and expenditures along with related assessment amounts, which is approved by the Board of Directors. A summary of amounts assessed, for both improved and unimproved lots, for the years ended December 31, 2024 and 2023, are as follows:

Assessment Type	2024		2023	
	Improved	Unimproved	Improved	Unimproved
Annual:				
General	\$2,331	\$1,166	\$2,220	\$1,110
Amenity	\$220	\$110	\$209	\$105
Segments	\$100-\$1,436	\$50-\$718	\$1,436	\$718
Supplemental:				
Reserve	\$325	\$163	\$325	\$163

Assessments charged for segments are only applicable to properties located within the related geographical location.

During the year ended December 31, 2020, the Board of Directors approved a special assessment to fund projects associated with the Association’s water management infrastructure. Members had the option to pay the amounts due over a five-year period ending July 1, 2024. The total amount assessed was approximately \$3,040,000. The year ended December 31, 2024, is the last year of the five-year period related to the 2020 flood special assessment.

**Kiawah Island Community Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2024**

**Note 4. Investments**

In accordance with the Financial Accounting Standards in its Accounting Standards Codification (ASC) No. 820, Fair Value Measurements and Disclosure, the Association has defined and established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g. quoted prices in active markets for similar securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are unobservable inputs for the asset or liability (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities

Fair values of investments held by the Association at December 31, 2024 and 2023, are classified as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
At December 31, 2024:				
Corporate bonds	\$ 3,303,174	\$ -	\$ 3,303,174	\$ -
Mutual funds	580,879	580,879	-	-
Municipal bonds	2,771,593	-	2,771,593	-
Certificates of deposit	211,346	-	211,346	-
Stocks, exchange-traded funds, and closed-end funds	7,370,225	7,370,225	-	-
Government securities	<u>11,398,468</u>	<u>-</u>	<u>11,398,468</u>	<u>-</u>
	<u>\$ 25,635,685</u>	<u>\$ 7,951,104</u>	<u>\$ 17,684,581</u>	<u>\$ -</u>
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
At December 31, 2023:				
Corporate bonds	\$ 1,607,221	\$ -	\$ 1,607,221	\$ -
Mutual funds	4,558,816	4,558,816	-	-
Municipal bonds	3,719,943	-	3,719,943	-
Certificates of deposit	334,187	-	334,187	-
Government securities	<u>9,078,485</u>	<u>-</u>	<u>9,078,485</u>	<u>-</u>
	<u>\$19,298,652</u>	<u>\$ 4,558,816</u>	<u>\$ 14,739,836</u>	<u>\$ -</u>

**Kiawah Island Community Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 5. Property and Equipment**

Property and equipment at December 31, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 2,614,394	\$ 2,640,553
Land	408,448	408,448
Furniture and equipment	2,069,880	2,230,621
Vehicles and trailers	<u>816,542</u>	<u>778,941</u>
	5,909,264	6,058,563
Less: accumulated depreciation	<u>(3,277,163)</u>	<u>(3,452,058)</u>
Total property and equipment	<u>\$ 2,632,101</u>	<u>\$ 2,606,505</u>

**Note 6. Cable Agreement (Royalties)**

In December 2014, the Association entered into an agreement (the “Comcast Agreement”) with Comcast of Georgia/South Carolina II, LLC (“Comcast”), to allow access to and use of easements within the association for installation and maintenance of broadband and telecommunication services on Kiawah Island and to allow exclusive use of the Association’s name in marketing materials. The term of this agreement is twelve years, with automatic one-month renewal periods thereafter until either party terminates the agreement.

To assist with negotiations and the securing of the Comcast Agreement described above, the Association engaged a consulting firm for which the terms of the contract specify the Association will pay a commission equal to 25% of all monies received from Comcast throughout the life of the contract. During the year ended December 31, 2014, Comcast paid the Association a royalty fee of \$802,500 which was based on the number of residential units within the Association at that time. The deferred revenue is being amortized annually over the twelve-year term of the contract. At December 31, 2024 and 2023, the remaining balance of the deferred revenue totaled \$100,315 and \$150,471, respectively. The related royalty revenue was \$50,156 for the years ended December 31, 2024 and 2023.

Concurrent with the Comcast Agreement, the Association entered into a twelve-year agreement in which the Association receives a percentage (ranging from 4% to 7% based on service) of the broadband and telecommunication service revenue received from the Association’s members. The amount received is calculated and paid on a quarterly basis, net of a 25% consulting commission. The net amount of royalty revenues received for the years ended December 31, 2024 and 2023, was approximately \$294,000 and \$286,000, respectively.

**Note 7. Line of Credit**

The Association had access to a \$2,500,000 line of credit with a financial institution that expired in November 2024. Interest is charged at a variable rate based on SOFR plus 2.60%. The line of credit arrangement has a right-of-offset against deposit accounts the Association maintains with the lender. As of December 31, 2024 and 2023, the Association had no outstanding balance due on the line of credit. The line of credit was not borrowed on during 2024 or 2023.

The Association opened a \$2,500,000 line of credit with a financial institution in November 2024, expiring in November 2026. Interest is charged at a variable rate based on SOFR plus 2.50%. The line of credit arrangement has a right-of-offset against deposit accounts the Association maintains with the lender. As of December 31, 2024, the Association had no outstanding balance due on the line of credit. The line of credit was not borrowed on during 2024.

**Kiawah Island Community Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 8. Designated Fund Balance**

The Board of Directors has designated certain amounts to be used by the Association for specific future projects or activities. These designations may be modified or removed by the Board of Directors at any time. The financial controls manual stipulates that "any surplus at year end for the V-gate fund shall be held for major repairs and replacements. Any surplus for either the Preserve or Ocean Park is held as an operating surplus." These financial statements classify the V-gate fund balance and the Preserve fund balance is listed as a designated fund balance within the Operating fund below.

Operating fund balance consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Operating fund balance, total	\$ 7,730,642	\$ 7,849,267
Property and equipment, net	(2,632,101)	(2,606,505)
Asset replacement dollars	(2,918,893)	(2,697,089)
Named Storm reserve	(1,000,000)	(1,000,000)
Commitment to future year budget	-	(608,437)
V-gate fund	(315,871)	(283,248)
Ocean Park fund	(29,936)	-
Preserve fund	<u>(5,644)</u>	<u>(52,271)</u>
Undesignated operating fund balances	<u>\$ 828,197</u>	<u>\$ 601,717</u>

**Note 9. Related Party Transactions**

During the year ended December 31, 2024 and 2023, the property developer, Kiawah Partners ("KP"), formerly Kiawah Resort Associates ("KRA"), held a seat on the Association's Board of Directors. During 2024, KP owned a total of 39 properties, including 12 lots in inventory, 12 un-subdivided lots, and 7 commercial use lots, among others. Amounts assessed to KRA in the years ending December 31, 2024 and 2023, including supplemental special assessments, totaled approximately \$235,500 and \$243,000, respectively.

**Note 10. Future Major Repairs and Replacements**

The Association's governing documents provide for the levying of annual assessments which, in addition to providing funds for general operations, may also provide for the repair, maintenance and replacement of common areas and infrastructure components. An examination of future expected infrastructure repair and replacement costs was conducted by an independent third- party consultant and their findings were compiled in a reserve study document issued on May 21, 2024. At December 31, 2024 and 2023, the Association had \$21,232,394 and \$16,855,686, respectively, in fund balance designated for such future major repairs and replacements.

Actual expenditures may vary from the costs estimated in the reserve study and the variations may be material. It is possible that amounts accumulated in the major repair and replacement funds and annual sources of revenue may not be adequate to meet all future needs for major repairs and replacements. In the event that amounts budgeted may not be adequate to meet all future needs for major repairs and replacements, the Association has the right to (1) increase annual assessments by an amount that is not in excess of amounts allowed by the covenants; (2) levy special assessments, subject to member approval; (3) transfer funds from operations; or (4) delay repairs and replacements until funds are available.

**Kiawah Island Community Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 11. Retirement Plan**

The Association has a 401(k) profit sharing plan (the “Plan”). Employees who meet certain age and length of service requirements are eligible and can contribute a portion of their annual compensation, subject to IRS limits. The Plan provides a safe harbor match of participant contributions of 100% of the first 3% of compensation plus a 50% match of the next 2% of compensation. The Plan also provides for profit sharing contributions. The Association contributed approximately \$183,000 and \$158,000 for the years ended December 31, 2024 and 2023, respectively.

**Note 12. Commitments and Contingencies**

The Association is generally involved in various legal matters, administrative proceedings and claims arising in the ordinary course of business. Although it is not possible to predict the outcome of such matters or the range of possible loss or recovery, if any, management believes that the results will not have a material effect on the Association’s financial position or results of operations.

**Note 13. Liquidity and Availability**

The Association’s financial assets available from the Operating Fund within one year of the balance sheet date for general expenditures is as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,131,905	\$ 1,005,350
Investments	4,524,491	5,770,204
Accrued interest receivable	31,708	40,738
Accounts receivable	187,604	85,910
Royalty receivable	<u>95,500</u>	<u>85,500</u>
	<u>\$ 6,971,208</u>	<u>\$ 6,987,702</u>





***Required Supplementary Information***

**Kiawah Island Community Association, Inc.**  
**Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)**  
**Year Ended December 31, 2024**

The Association engaged Association Reserves to estimate the remaining useful lives and replacement costs of the components of common property. The latest reserve study was completed in 2024 and an updated report was issued on May 21, 2024 covering the period from January 1, 2025 to December 31, 2025. All of the estimates were based on future estimated replacement costs. Replacement costs were based on the estimated costs to repair or replace common property components through 2025. Assumptions used included current net interest earnings accruing to reserves of 3.00% and a rate of inflation of 3.00%.

The following information is from the May 21, 2024 report, based on the study, and presents significant information about the components of common property.

	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Future Replacement Costs</u>	<u>Replacement Reserve Balance</u>
Site and grounds	0 to 38	\$ 5,533,550	
Asphalt roadways	0 to 15	17,114,950	
Drainage system components	0 to 37	2,732,085	
Timber bridges (vehicle)	0 to 42	13,607,050	
Main gate house	5 to 17	174,955	
Vanderhoorst Gate house	5 to 17	97,850	
Guardrails	9 to 25	258,480	
Eagle Point common areas	0 to 33	347,500	
Viewing towers	0 to 18	288,155	
Cinder Creek common areas	0 to 28	533,660	
Rhett's Bluff common areas	0 to 37	957,660	
Beachwalker center	0 to 38	1,390,895	
Maintenance area components	0 to 39	957,818	
The Sandcastle	0 to 33	1,266,595	
Family pool area	0 to 26	1,514,460	
Adult pool area	2 to 43	1,178,880	
Bar area components	13 to 23	120,100	
Sandcastle grounds	10 to 28	971,685	
Castle grill area	0 to 22	250,155	
Community docks	0 to 21	500,120	
Boardwalks	0 to 38	3,252,650	
Walking bridges	0 to 38	<u>4,593,880</u>	
		<u>\$ 57,643,133</u>	
Fully Funded Reserve balance as of May 31, 2024		<u>\$ 25,749,055</u>	
Projected Reserve Balance as of January 1, 2025 (based on study)		<u>\$ 19,115,150</u>	
Percentage Funded as of May 31, 2024		<u>74.2%</u>	

Based on audited results, the actual reserve balance as of December 31, 2024, including cash and investments, was \$21,459,621 and will be the basis for the reserve study to be completed and updated in 2025.