

SHADOW RUN HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

SHADOW RUN HOMEOWNERS ASSOCIATION

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## ACCOUNTANT'S COMPILATION REPORT

To Management  
Shadow Run Homeowners Association  
Kennewick, WA 99336

Management is responsible for the accompanying financial statements of Shadow Run Homeowners Association, which comprise the balance sheet as of December 31, 2021, and the related statements of income and changes retained earnings and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*Tri-Cities CPA, PLLC*

Kennewick, WA  
December 28, 2022

SHADOW RUN HOMEOWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2021

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 117,858
Accounts receivable	500
<b>Total Current Assets</b>	<u>118,358</u>

**PROPERTY AND EQUIPMENT**

142,495

**Total Assets**

\$ 260,853

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**STOCKHOLDER'S EQUITY**

Retained Earnings	<u>\$ 260,853</u>
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**Total Liabilities and Stockholder's Equity**

\$ 260,853

See accountant's compilation report and accompanying notes.

SHADOW RUN HOMEOWNERS ASSOCIATION  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021

<b>REVENUE</b>		<u>\$ 74,565</u>
 <b>OPERATING EXPENSES</b>		
Legal and professional		8,135
Bank charges		(20)
Landscaping and groundskeeping		37,411
Website maintenance		79
Postage		718
Office supplies		52
Miscellaneous expenses		570
Outside services		9,600
Taxes and licenses		163
Telephone		353
Utilities		4,221
Insurance		<u>3,702</u>
<b>Total Operating Expenses</b>		<u>64,984</u>
 <b>Operating Income (Loss)</b>		 <u>9,581</u>
 <b>OTHER INCOME (EXPENSE)</b>		
Interest income		<u>92</u>
<b>Total Other Income (Expense)</b>		<u>92</u>
 <b>Net Income (Loss)</b>		 9,673
 <b>RETAINED EARNINGS - JANUARY 1, 2021</b>		 251,180
 Distributions		 <u>-</u>
 <b>RETAINED EARNINGS - DECEMBER 31, 2021</b>		 <u><u>\$ 260,853</u></u>

See accountant's compilation report and accompanying notes.

SHADOW RUN HOMEOWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**RECONCILIATION OF NET INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Net income	9,673
Adjustments to reconcile net income to net cash provided by operating activities;	
Increase in accounts receivable	<u>10,408</u>
 Total Adjustments	 <u>10,408</u>
 Net Cash Provided By Operating Activities	 <u><u>\$ 20,081</u></u>
  Net Increase in Cash	  <u>20,081</u>
 <b>CASH - January 1, 2021</b>	 <u>97,777</u>
 <b>CASH - December 31, 2021</b>	 <u><u>\$ 117,858</u></u>

See accountant's compilation report and accompanying notes.

SHADOW RUN HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**Note 1 – Description of Operations**

Shadow Run Homeowners Association (the Association) is a homeowners association incorporated in the State of Washington. The Association is responsible for the operation and maintenance of the common property within the housing development. The housing development consists of 197 residential lots located in Kennewick, Washington.

**Note 2 – Significant Accounting Policies**

**Basis of Accounting** – The Association’s financial statements are prepared on the accrual basis of accounting. Accordingly, revenues and expenses are recognized as income and expense when incurred.

**Cash and Cash Equivalents** – The Association considers all investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) which insures up to \$250,000. At December 31, 2021, the Association had no cash held in financial institutions that exceeded FDIC insured limits.

**Receivables** – The Association does not provide an allowance for doubtful accounts as management has determined that the receivables are 100% collectible. The balance in accounts receivable includes unpaid homeowner’s fees. The accounts receivable balance was \$500 as of December 31, 2021.

**Use of estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Member Assessments** – Association members are subject to annual assessments to provide funds for the Association’s operating expenses, major repairs, and replacements. At December 31, 2021, the total annual fees collected were \$74,565.

**Note 3 – Fair Values of Financial Instruments**

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by assumptions used. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in the immediate settlement of instruments. Statement No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Association.

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

*Cash and cash equivalents:* The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets’ fair values.

SHADOW RUN HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**Note 4 – Federal Income Tax**

The Association qualifies as a tax-exempt homeowners association under the Internal Revenue Code Section 528 for the year ended December 31, 2021. Under that section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from non-members may be taxed by the federal government.

**Note 5 – Subsequent Events**

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Association has evaluated subsequent events through December 28, 2022, which is the date this report was issued and concluded that there were no events or transactions that need to be disclosed.