

SHADOW RUN HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

SHADOW RUN HOMEOWNERS ASSOCIATION

TABLE OF CONTENTS

	<u>Page</u>
ACCOUNTANT'S COMPILATION REPORT	2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Income and Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6-7

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, 2023, and the related statements of income and changes retained earnings and cash flow 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

Tri-Cities CPA, PLLC
Kennewick, WA
September 11, 2024

SHADOW RUN HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 110,904
Accounts receivable	<u>13,770</u>
Total Current Assets	<u><u>124,674</u></u>

PROPERTY AND EQUIPMENT

142,495

Total Assets	<u><u>\$ 267,169</u></u>
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LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts payable	<u>\$ -</u>
	<u>\$ -</u>

STOCKHOLDER'S EQUITY

Retained Earnings	<u>\$ 267,169</u>
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Total Liabilities and Stockholder's Equity	<u><u>\$ 267,169</u></u>
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See accountant's compilation report and accompanying notes.

SHADOW RUN HOMEOWNERS ASSOCIATION
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

REVENUE	<u>\$ 69,051</u>
OPERATING EXPENSES	
Legal and professional	8,347
Bank charges	32
Landscaping and groundskeeping	29,907
Reserve	5,750
Postage	452
Office supplies	1,122
Miscellaneous expenses	1,018
Outside services	1,400
Taxes and licenses	228
Telephone	280
Utilities	4,347
Insurance	3,724
Website	576
Total Operating Expenses	<u>57,183</u>
Operating Income (Loss)	<u>11,868</u>
OTHER INCOME (EXPENSE)	
Interest income	75
Total Other Income (Expense)	<u>75</u>
Net Income (Loss)	11,943
RETAINED EARNINGS - JANUARY 1, 2023	255,226
Distributions	<u>-</u>
RETAINED EARNINGS - DECEMBER 31, 2023	<u><u>\$ 267,169</u></u>

See accountant's compilation report and accompanying notes.

SHADOW RUN HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Net income	11,943
Adjustments to reconcile net income to net cash provided by operating activities;	
Change in accounts receivable	(3,298)
Change in accounts payable	-
Total Adjustments	<u>(3,298)</u>
Net Cash Provided By Operating Activities	<u>\$ 8,645</u>
Net Increase in Cash	<u>8,645</u>
CASH - January 1, 2023	<u>102,259</u>
CASH - December 31, 2023	<u>\$ 110,904</u>

See accountant's compilation report and accompanying notes.

SHADOW RUN HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, 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 \$13,770 as of December 31, 2023.

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, 2023, the total annual fees collected were \$69,051.

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, 2023

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, 2023. 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 September 11, 2024, which is the date this report was issued and concluded that there were no events or transactions that need to be disclosed.