

CASCADES AT AZALEA LAKES
PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

Year ended December 31, 2023

TOOHEY & DIEZ CPA'S, LLC
Certified Public Accountants
1341 44th Avenue N – Suite 205
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Phone (843) 712-2719

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To Management
Cascades at Azalea Lakes Property Owners Association, Inc.
Myrtle Beach, South Carolina

Management is responsible for the accompanying financial statements of Cascades at Azalea Lakes Property Owners Association, Inc., which comprise the balance sheet as of December 31, 2023 and the related statement of income and members' equity 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. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

A statement of cash flows for the year ended December 31, 2023, has not been presented. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.

Insurance expense has been recognized on the "cash basis" of accounting whereby the expense was recorded when paid rather than over the period to which the premium related. Accounting principles generally accepted in the United States of America require that expenses (including insurance expense) be reported on the "accrual basis" of accounting. Management has not determined the effect of this departure from accounting principles generally accepted in the United States of America on the financial statements.

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Toohey & Diez CPA's, LLC
Myrtle Beach, South Carolina
September 5, 2024

Cascades at Azalea Lakes Property
Owners Association, Inc.

Balance Sheet

As of December 31, 2023

	Total
Assets	
Cash - Operating	(\$9,636)
Cash - Reserves	19,303
Accounts Receivable	11,484
Total Assets	<u>\$21,151</u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$13,721
Prepaid Assessments	14,552
Total Liabilities	<u>28,273</u>
Members' Equity	<u>(7,122)</u>
Total Liabilities and Members' Equity	<u>\$21,151</u>

See Independent Accountants' Compilation Report
and Notes to Financial Statements

**Cascades at Azalea Lakes Property
 Owners Association, Inc.
 Statement of Revenues and Expenses and Changes in Members' Equity
 Year Ended December 31, 2023**

	Total
Revenues	
Assessments	\$152,460
Late Fees	2,525
Fines	50
Total Revenues	155,035
Expenses	
Bank Charges	3
Management Fees	14,400
Collection Expense	2,870
Landscape Maintenance	4,945
Pond Maintenance	11,480
Postage	145
Administrative Expense	331
Homeowner Activities	251
Insurance Expense	3,721
Landscape Contract	9,700
Pond/Lake Maintenance Contract	14,006
Property Tax	401
Water & Sewer	371
Electric	33,893
Trash	45,146
Total Expenses	141,663
Excess of Revenues Over Expenses	\$13,372
Members' Equity - January 1, 2023	(20,494)
Members' Equity - December 31, 2023	(\$7,122)

See Independent Accountants' Compilation Report
 and Notes to Financial Statements

**Cascades at Azalea Lakes
Property Owners Association, Inc.
Notes to Financial Statements
December 31, 2023**

NOTE 1 NATURE OF ORGANIZATION

Cascade at Azalea Lakes Property Owners Association, Inc., (the "Association") is a statutory association incorporated and existing under the laws of the State of South Carolina. The Association is responsible for maintaining and preserving common property, enforcing rules for mutual benefit, and providing other common services to Association members. The association consists of 231 units as of December, 31, 2023.

NOTE 2 DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 5, 2024, which is the date that the financial statements were available to be issued.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's policy is to prepare its financial statements on the accrual basis of accounting with revenues being recognized when they are billed or due and expenses being recognized when the expense is incurred.

The Association's governing documents provide certain guidelines for managing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources the Association maintains its accounts using fund accounting.

Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for general operations of the Association.

Reserve Fund – This fund is used to accumulate financial resources for future major repairs and replacements.

Cascades at Azalea Lakes
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Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating and reserve assessments are satisfied over time on a daily pro-rata basis using the input method.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements as is prevalent industry practice.

Estimates

The preparation of financial statements 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.

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Concentrations

Credit Risk – Financials instruments which may potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts on deposit at financial institutions, with balances which may at times exceed the amounts insured under the provisions of the Federal Deposit Insurance Corporation (FDIC).

Geographic – The Association is engaged in a single industry in a single location. Accordingly, the Association is subject to the normal risks and economic conditions in this area that any such entity is exposed, including the potential for business disruption due to hurricanes, acts of nature or other uncontrollable factors.

Cash and Cash Equivalents

For purposes of balance sheet classification and the statement of cash flows, the association considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

NOTE 4 INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year 2023 the Association was taxed as a homeowners' association and filed form 1120-H.

As of the date of the financial statements the three prior tax years remain subject to examination by taxing authorities.

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NOTE 5 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide that the Association accumulate funds for future major repairs and replacements. These funds are held in separate accounts and are generally not available for operating purposes. It is the Association's policy that interest earned on these accounts is allocated to the Reserve Fund.

Actual expenditures may vary from estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet future needs.

If additional funds are needed, the Association has the right, subject to appropriate approval, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

NOTE 6 REVENUE RECOGNITION

Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.