



Palmetto Dunes Property  
Owners Association, Inc.

Financial Statements and  
Supplementary Information

December 31, 2023 and 2022

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## TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Fund Balance	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Statement of Financial Position by Fund – December 31, 2023	20
Statements of Activities and Changes in Fund Balance by Fund – Year Ended December 31, 2023	21
REQUIRED SUPPLEMENTARY INFORMATION	
Future Major Repairs and Replacements (Unaudited) – December 31, 2023	23



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Finance Committee  
Palmetto Dunes Property Owners Association, Inc.  
Hilton Head Island, South Carolina

### **Opinion**

We have audited the accompanying financial statements of Palmetto Dunes Property Owners Association, Inc., (the Association) which comprise the statement of financial position as of December 31, 2023, the related statement of activities and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2023, and the results of its operations 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the 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 the 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 generally accepted auditing standards, 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Other Matters**

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The December 31, 2023 fund financial statements on Pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that required supplementary information on future major repairs and replacements on Page 23 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.

#### **Auditor's Report on the December 31, 2022 Financial Statements**

The December 31, 2022 financial statements of the Association were audited by predecessor auditors. The predecessor auditor's report was dated March 15, 2023 and included an unmodified opinion. Our opinion for the December 31, 2023 financial statements is not modified with respect to the predecessor auditor's report.



Savannah, Georgia  
March 28, 2024

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31,

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 554,834	\$ 4,055,872
Assessments receivable, net of allowance for credit losses of \$9,655 and \$885, respectively	11,675	15,761
Contract receivables	190,122	68,081
Investments	22,695,869	17,918,856
Prepaid expenses	283,143	130,281
Total current assets	23,735,643	22,188,851
Right-of-use operating asset, net	70,245	45,797
Property and equipment, net of accumulated depreciation of \$9,295,101 and \$8,874,755, respectively	23,159,281	21,780,135
Total right-of-use assets, property and equipment	23,229,526	21,825,932
TOTAL ASSETS	\$ 46,965,169	\$ 44,014,783
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 380,531	\$ 489,120
Accrued expenses	611,013	547,075
Architectural Review Board (ARB) - designated escrow deposits	938,073	1,261,260
Contract liabilities	423,715	867,321
Operating lease liability - current	25,281	25,130
Total current liabilities	2,378,613	3,189,906
 <b>NON-CURRENT LIABILITIES</b>		
Operating lease liability - long-term	45,159	20,744
Total liabilities	2,423,772	3,210,650
 <b>FUND BALANCE - WITHOUT DONOR RESTRICTIONS</b>		
Undesignated	23,403,305	22,022,815
Designated	21,138,092	18,781,318
Total fund balance - without donor restrictions	44,541,397	40,804,133
TOTAL LIABILITIES AND FUND BALANCE	\$ 46,965,169	\$ 44,014,783

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN FUND BALANCE  
Years Ended December 31,

	2023	2022
<b>REVENUES</b>		
Assessments and fees	\$ 4,826,816	\$ 4,581,629
Community enhancement fees	704,414	1,107,107
General and administrative	58,886	35,000
Finance charges on delinquent accounts	5,920	12,312
	5,596,036	5,736,048
Pass office services- seasonal	2,637,810	2,733,679
Security services	468,320	452,873
Transportation service	303,100	254,225
Property maintenance	71,885	72,286
Telecommunication services	83,921	75,747
	3,565,036	3,588,810
Pass office services- daily	970,343	988,555
Community services	205,639	184,952
	1,175,982	1,173,507
Total revenues	10,337,054	10,498,365
 <b>EXPENSES</b>		
Security	2,546,376	2,313,638
General and administration	1,825,134	1,562,892
Property maintenance	2,095,286	2,043,347
Pass office	694,691	669,219
Leamington cost share	558,268	587,053
Transportation services	270,032	270,949
Community services	244,231	236,007
Community enhancements	140,776	165,151
Assessments and fees	21,449	8,009
Total expenses	8,396,243	7,856,265
 <b>OTHER INCOME (EXPENSE)</b>		
Investment income	871,538	623,400
Realized gains (loses) on sales of investments	9,152	(85,981)
Realized gains (losses) on sales of fixed assets	27,590	(7,580)
Unrealized gains (losses) on investments	888,173	(2,756,862)
Total other income (expense)	1,796,453	(2,227,023)
<b>NET INCREASE IN FUND BALANCE</b>	3,737,264	415,077
<b>FUND BALANCE WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR</b>	40,804,133	40,389,056
<b>FUND BALANCE WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	\$ 44,541,397	\$ 40,804,133

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31,

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in fund balance	\$ 3,737,264	\$ 415,077
Adjustments to reconcile net increase in fund balance to net cash provided by operating activities:		
Depreciation	880,026	945,262
(Gain) / loss on disposal of assets	(27,590)	19,631
Unrealized (gains) / losses on investments	(888,173)	2,756,862
Realized (gains) / losses on sales of investments	(9,152)	85,981
Reduction of right-of-use asset held under operating leases	(24,448)	24,980
(Increase) decrease in:		
Assessments receivable, net	4,086	11,275
Contract receivables	(122,041)	21,554
Prepaid expenses	(152,862)	(9,485)
Increase (decrease) in:		
Accounts payable	(108,589)	398,515
Accrued expenses	63,938	49,295
ARB deposits	323,187	199,297
Operating lease obligation	24,566	(24,903)
Contract liabilities	(443,606)	400,617
Net cash provided by operating activities	3,256,606	5,293,958
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,898,811)	(1,214,861)
Purchases of investments	(10,671,781)	(1,758,702)
Proceeds from sales of investments	6,812,948	468,756
Net cash used in investing activities	(6,757,644)	(2,504,807)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,501,038)	2,789,151
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	4,055,872	1,266,721
<b>ENDING CASH AND CASH EQUIVALENTS</b>	\$ 554,834	\$ 4,055,872

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 1. NATURE OF ORGANIZATION**

Palmetto Dunes Property Owners Association, Inc. (the "Association") is a not-for-profit corporation that was incorporated in the state of South Carolina on August 19, 1977. The Association merged with the Palmetto Dunes Community Services Division of Greenwood (the "Developer") effective December 31, 2005. The Developer deeded common property and its legal rights to enforce covenants and assess members of the Association.

The Association is responsible for the operation, security, and maintenance of the common property within the development. The development consists of 2,173 residential properties and 13 commercial properties located on over 1,839 acres on Hilton Head Island, South Carolina. The Association's primary source of revenue is from assessments from members, security contracts, and commercial gate fees.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

Fund accounting

To ensure observances 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 the general operation of the Association.

*General Fund* – This fund is used to account for Board of Directors designated financial resources that are excess operating funds to support future operating shortfalls or future board approved projects.

*Repair and Replacement Fund* – This fund is used to accumulate funds designated for future major repairs and replacements of existing facilities and equipment.

*Storm Recovery Reserve Fund* – This fund is used to accumulate funds designated by the covenants for repair of damage to common properties resulting from weather disasters, including hurricanes, floods, tornadoes, etc.

*Community Enhancement Fund* – This fund is used to account for the capital transfer fees charged to purchasers of land and improvements within the Association for future capital projects and major improvements to existing fixed assets.

*ARB Escrow Fund* – This fund is used to accumulate compliance deposits collected by the Architecture Review Board.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, certificates of deposits (non-brokered), and non-brokered highly liquid marketable securities which have maturities of three months or less at the date of purchase.

Assessments receivable

Residential and commercial property owners are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the statement of financial position date represent fees due from property owners and commercial properties. The Association's policy is to retain legal counsel and record a judgment against the owners of the properties whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. An allowance for credit losses is computed based on historical experience.

Contract receivables

Contract receivables consists of gate pass fees receivable from short-term rentals, community enhancement fees, and residential property owners' compliance fees.



PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Investments

Investments consist primarily of assets invested in marketable equity securities and funds with underlying equity or debt investments. Investments also include cash equivalents that are held in brokerage accounts. The Association accounts for investments in securities with readily determinable fair values and all fund investments at fair value on the statements of financial position. The realized and unrealized gain or loss on investments is reflected in the statements of activities and changes in fund balance.

Common property

The Association's policy for recognizing common property as assets on its statements of financial position is to recognize all common personal property and real property to which it has title or evidence of ownership.

Property and equipment

Property and equipment purchased by the Association is recorded at cost. Major renewals and betterments are capitalized while maintenance and repairs, which do not improve or extend the useful lives of the assets, are expensed as incurred. Assets are depreciated over their estimated useful lives using the straight-line method. Contributed assets are recorded as of the date contributed based upon the estimated fair market value.

Leases

Effective January 1, 2022, the Association accounts for its lease agreements in accordance with Financial Accounting Standards Board (FASB) ASU 2016-02 *Leases* (Topic 842).

Right-of-Use (ROU) liabilities represent the Association's obligation to make lease payments arising from the lease, and are recognized as the present value of the future minimum lease payments over the lease term as of the commencement date.

ROU assets represent the Association's right to use an underlying asset for the lease term, and are recognized as the present value of future minimum lease payments over the lease term as of the commencement date, plus any initial direct costs incurred and lease payments made, less any lease incentives received.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Association determines if an arrangement contains a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if the Association has obtained substantially all of the rights to the underlying asset through exclusivity, if the Association can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. The evaluation may require significant judgement.

If an arrangement is considered a lease, the Association determines at the commencement date whether the lease is an operating or finance lease. Finance leases are leases that meet any of the following criteria: the lease transfers ownership of the underlying asset at the end of the lease term; the lessee is reasonably certain to exercise an option to purchase the underlying asset; the lease term is for the major part of the remaining economic life of the underlying asset (except when the commencement date falls at or near the end of such economic life); the present value of the sum of the lease payments and any additional residual value guarantee by the lessee equals or exceeds substantially all of the fair value of the underlying asset; or the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease that does not meet any of these criteria is considered an operating lease. After the commencement date, lease cost for an operating lease is recognized over the remaining lease term on a straight-line basis, while lease cost for a finance lease is based on the amortization of the lease asset and interest on the lease liability. All of the Association's leases were considered to be operating leases as of and for the years ended December 31, 2023 and 2022.

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Leases, continued

The terms of the Association's lease arrangements vary, and certain leases include one or more of the following: renewal option(s), a cancellation option, a residual value guarantee, a purchase option, or an escalation clause. An option to extend or terminate a lease is accounted for when assessing a lease term when it is reasonably certain that the Association will exercise such option. The Association has made a policy election to classify leases with an initial lease term of 12 months or less as short-term leases, and these leases are not recorded in the accompanying consolidated statements of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. There were no short-term leases during the year ended December 31, 2023.

Determinations with respect to lease term (including any extension thereof), discount rate, variable lease cost, and future minimum lease payments require the use of judgment based on the facts and circumstances related to each lease. The Association considers various factors, including economic incentives and penalties and business need, to determine the likelihood that a renewal option will be exercised. Unless a renewal option is reasonably certain to be exercised, which is typically at the Association's sole discretion, the initial non-cancelable lease term is used.

The Association has a lease agreement with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain equipment leases, like vehicles, the Association accounts for the lease and non-lease components as a single lease. Additionally, for certain equipment leases, a portfolio approach is used to account for the operating lease ROU assets and lease liabilities.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Association uses the rates implicit in the lease, or if not readily available, the Association has elected to use a risk-free rate. The risk-free rate is considered to equal the rate of a zero-coupon U.S. Treasury instrument for the same period as the term of the lease and is used for all major classes of underlying assets.

Effective January 1, 2023, the Association adopted a lease capitalization policy threshold of \$25,000. Any individual lease with a ROU asset or lease liability that does not exceed this threshold is expensed as general and administrative expenses and not included on the statements of financial position.

Fair value measurements

Accounting principles generally accepted in the United States of America provide a framework for measuring fair value. The framework provides a 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2      Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Fair value measurements, continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 materially from those estimates.

Recently issued pronouncements

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Association adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in terminology changes only.

**NOTE 3. REVENUE RECOGNITION**

The Association recognizes revenue from contracts with customers in accordance with FASB issued ASU 2014- 09, *Revenue from Contracts with Customers (ASU Topic 606)*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the performance obligations are satisfied

The Association recognizes revenues from contracts with customers when the related performance obligation is satisfied at transaction amounts expected to be received as described below. Revenues received for future periods are deferred and amortized to income in the period to which they apply.

*Ownership transactions*

The Association has determined that the following transactions are with owners and therefore, not subject to Topic 606 - operating assessments and reserve replacement assessments. These types of fees and assessments are deemed owner transactions because the members are subject to operating and/or capital assessments as approved by the Board. Operating assessments are used for the maintenance and management of the common area property, and the revenue is earned on a periodic basis throughout the fiscal year. Replacement reserves are used for major repairs and replacements, and the owners benefit from the assessment when it is imposed.

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 3. REVENUE RECOGNITION, continued**

The Association receives community enhancement fees (essentially a transfer fee) when a property owner within Palmetto Dunes sells their respective property. Inasmuch as the now former property owner receives no goods or services as a result of this transaction, Management has determined that these transactions do not fall within the scope of the accounting pronouncement *Revenue from Contracts with Customer (Topic 606)*. The new property owner receives a benefit from the fee when it is imposed. Consequently, community enhancement fees revenue is recognized when received.

*Contracts with Customers*

The Association’s revenue from contracts with customers is generated from two types of contracts – services and the sale of goods. The customers and/or members are billed daily, monthly, or annually.

The Association considers the following services to be contracts with customers and are recognized over time using the output method in that the customer and/or member receives the benefits over the period the Association performs the respective services. These services included weekly, monthly, and annual pass office services, transportation services, property maintenance, and security services.

The Association considers the following sales and services to be contracts with customers and are recognized at a point in time when ownership, risk, and rewards transfer. This includes daily gate fees and community services.

*Timing of revenue recognition*

	2023	2022
Services transferred over time	\$ 3,565,036	\$ 3,588,810
Sales and services transferred at a point in time	1,175,982	1,173,507
Total revenue recognized under ASC 606	\$ 4,741,018	\$ 4,762,317

*Significant judgments*

The Association recognizes revenue from contracts with customers by providing consumable products or services. Sales of services are generally recognized over time as the service is provided and no significant obligations remain. Sales of consumable products or services include promised goods (performance obligations) of consumables (daily gate passes and community services) and are billed on an as used basis. Revenue from the consumable contracts is recognized upon delivery to the customer (point in time) because the customer consumes the benefits of the Association’s performance at the same time the Association performs and creates those benefits.

*Contract Balances*

Contract receivables represent invoices that have been generated, but payment has not been received, for goods and services under contracts with customers and are included in accounts receivable on the statement of financial position. The balances were \$190,122 and \$68,081 at December 31, 2023 and 2022, respectively.

Contract liabilities represent payments received in advance of providing services under contracts with customers and were \$423,715 and \$867,321 at December 31, 2023 and 2022 respectively, and are included in deferred revenue on the statement of financial position.

**NOTE 4. CONCENTRATIONS OF RISK**

Concentrations of credit risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalent accounts held at financial institutions, receivables, and investments with exposure to debt securities. The credit worthiness of parties to these transactions is subject to continuous review and evaluation.

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 4. CONCENTRATIONS OF RISK, continued**

Concentrations of credit risk, continued

The Association places its cash and cash equivalents on deposit with financial institutions in the United States. Account balances at Federal Deposit Insurance Corporation (FDIC) insured institutions are insured up to \$250,000. During 2023, the Association implemented a cash sweep feature for the primary checking account. Any amount exceeding the \$250,000 FDIC threshold will be automatically swept to reduce credit risk. Prior to the year ended December 31, 2023, the Association from time to time may have had amounts on deposit in excess of the insured limits. For the year ended December 31, 2022, the Association had exposure of approximately \$3,200,000.

Other concentrations

Palmetto Dunes is a coastal community located on the southeastern coast of the United States and is a major vacation destination for thousands of people each year. The members of the Association include persons purchasing a home for residential use as well as those purchasing homes and land for investment and commercial/rental purposes. Although the Association members and those vacationing in Palmetto Dunes are not necessarily from a concentrated geographical area, the Association is exposed to risks associated with conditions affecting the economy, real estate, tourism, and weather for that geographical area.

**NOTE 5. RELATED-PARTY TRANSACTIONS**

The Association purchases fuel and rents the maintenance building and land from the Developer. The amount paid to the Developer for fuel and rent amounted to \$45,449 and \$47,688, for the years ended December 31, 2023 and 2022, respectively.

The Developer pays the Association assessment and other fees for commercial properties that the Developer owns within Palmetto Dunes. The Developer paid the Association \$352,062 and \$339,354 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, there were no amounts due from the Developer related to assessment and other fees.

The Developer pays the Association for gate passes for their rental guests. In 2023 and 2022, the rental pass and transportation revenue amounted to \$238,150 and \$257,715, respectively. The Association was due \$4,395 and \$7,155 at December 31, 2023 and 2022, respectively, related to rental guests' gate pass fees.

The Developer holds one of ten seats on the Board of Directors of the Association.

**NOTE 6. MEMBERS' ASSESSMENTS AND ASSESSMENTS RECEIVABLE**

The Finance Committee recommends an annual budget of revenues and expenditures, along with related assessment amounts, which is approved by the Board of Directors.

Residential owners were subject to the following operating and designated assessments for each year presented:

	<u>2023</u>	<u>2022</u>
Operating Assessment	1,900 annually	1,800 annually

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 7. PROPERTY, PLANT AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2023 and 2022:

	Estimated Useful Lives	2023	2022
Buildings	20	\$ 2,056,095	\$ 2,056,095
Land improvements	3 - 15	18,887,395	16,793,741
Machinery and equipment	3 - 10	932,490	717,610
Office equipment	2 - 5	163,754	170,770
Vehicles	3 - 5	677,617	640,343
Land	NA	8,372,818	8,372,818
Infrastructure	1 - 34	912,944	1,024,231
Construction in progress	NA	451,269	879,282
Subtotal		<u>32,454,382</u>	<u>30,654,890</u>
Less accumulated depreciation and amortization		<u>9,295,101</u>	<u>8,874,755</u>
Total		<u>\$ 23,159,281</u>	<u>\$ 21,780,135</u>

**NOTE 8. INVESTMENTS**

The amortized cost, gross unrealized gains and losses, and estimated fair values of investments classified as available for sale are summarized as follows:

	December 31, 2023			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mutual funds (bond funds)	\$ 10,459,412	\$ 380,278	\$ -	\$ 10,839,690
Publicly traded equities	5,259,931	594,501	(254,596)	5,599,836
Exchange traded funds (ETFs)	2,722,298	166,631	(94,448)	2,794,481
CDs, treasuries, and money market funds	2,679,510	5,842	(24,201)	2,661,151
Other assets	772,074	28,637	-	800,711
	<u>\$ 21,893,225</u>	<u>\$ 1,175,889</u>	<u>\$ (373,245)</u>	<u>\$ 22,695,869</u>
	December 31, 2022			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mutual funds (bond funds)	\$ 11,160,897	\$ 156	\$ (1,463,996)	\$ 9,697,057
Publicly traded equities	4,050,629	1,333,605	(2,902)	5,381,332
Exchange traded funds (ETFs)	3,194,892	20,131	(375,469)	2,839,554
Other assets	913	-	-	913
	<u>\$ 18,407,331</u>	<u>\$ 1,353,892</u>	<u>\$ (1,842,367)</u>	<u>\$ 17,918,856</u>

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 9. FAIR VALUE MEASUREMENTS**

Determination of fair value

The Association follows Accounting Standards Codification 820, *Fair Value Measurement and Disclosures*, which emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Fair value measurements should be determined based on the assumptions that market participants would use in pricing the asset or liability. The fair value hierarchy discussed in Note 2 serves as the basis for categorizing fair value measurements based upon the nature of the valuation assumptions.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022.

- *Shares of registered investment companies (mutual funds)*: Valued at the quoted net asset value (NAV) of shares held by the Association at year end.
- *Marketable equity securities and Exchange Traded Funds*: Valued at the year-end price per the respective trading exchange.
- *Certificates of deposit and money market funds*: The fair value is determined using the contractual cash flows and current market rates for certificates of deposit with a similar remaining time to maturity.
- *Fixed Income (treasuries)*: The fair value is determined by using the year-end value after interest income and unrealized gains or losses have been accounted for.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants; the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial instruments reported at fair value

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities and other payables. As of December 31, 2023 and 2022, none of the assets and liabilities were required to be reported at fair value on a recurring basis as their recorded amounts approximate fair values based on their short-term nature.

Fair value is used on a recurring basis for assets and liabilities in which fair value is the primary basis of accounting, such as investments. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes. The Association had no assets or liabilities measured on a non-recurring basis as of December 31, 2023 and 2022.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2023 and 2022, are as follows:

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Equity investments:				
Mutual funds (bond funds)	\$ 10,839,690	\$ -	\$ -	\$ 10,839,690
Publicly traded equities	5,599,836	-	-	5,599,836
Exchange traded funds	2,794,481	-	-	2,794,481
Fixed Income (CDs, treasuries and money market funds)	2,661,151	-	-	2,661,151
Other assets	800,711	-	-	800,711
	<u>\$ 22,695,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,695,869</u>
Total assets	<u>\$ 22,695,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,695,869</u>

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 9. FAIR VALUE MEASUREMENTS, continued**

Financial instruments reported at fair value, continued

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Equity investments:				
Mutual funds	\$ 9,697,057	\$ -	\$ -	\$ 9,697,057
Publicly traded equities	5,381,332	-	-	5,381,332
Exchange traded funds	2,839,554	-	-	2,839,554
Other assets	913	-	-	913
Total assets	\$ 17,918,856	\$ -	\$ -	\$ 17,918,856

**NOTE 10. LEASES**

The Association has leases for copiers as well as a real estate lease of a maintenance building. The Association analyzes each lease agreement to determine whether it should be classified as a finance lease or an operating lease. As a result of adopting Topic 842 on January 1, 2022, the Association recorded on the statement of financial position significant asset and liability balances associated with the operating leases, as described further below.

Leases	Classification	2023	2022
Assets:			
Right-of-use asset-operating	Right-of-use asset-operating	\$ 70,245	\$ 45,797
Liabilities:			
Current:			
Operating	Operating lease liability - current portion	\$ 25,281	\$ 25,130
Non-current:			
Operating	Operating lease liabilities -noncurrent portion	\$ 45,159	\$ 20,744

The components of leases in the accompanying statements of financial position are as follows for the years ended December 31,

	2023	2022
Operating lease cost		
Cost of services and selling, general, and administrative costs	\$ 25,574	\$ 25,533
Supplemental cash flow information		
Operating cash flows from operating leases	\$ 75,117	\$ 25,456



PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 10. LEASES, continued**

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	2023	2022
Weighted average remaining lease term		
Operating leases	3.03 years	1.96 years
Weighted average discount rate		
Operating leases	0.87 %	0.94 %

Future minimum lease payments for non-cancellable operating leases are as follows for the years ending December 31:

Years Ended December 31,	Amount
2024	\$ 25,792
2025	21,745
2026	16,836
2027	7,015
Total future minimum lease payments	71,388
Less: interest	948
Present value of lease liabilities	\$ 70,440

The Association paid rent under operating leases for office equipment and the maintenance building totaling \$25,456 in 2023. The leases expire in early 2027.

**NOTE 11. LINE OF CREDIT**

The Association has available a \$5,000,000 line of credit with interest at the one-month CME Term SOFR rate plus 1.75% annually. The line of credit will be used to finance the restoration of property should the need arise due to natural disasters. The Association renewed the line of credit on May 19, 2022. The Association intends to renew the line of credit when it expires on May 19, 2024. If on May 19, 2024, there is any outstanding principal balance under this line, such principal balance and any accrued interest shall be payable on that date. The line of credit is collateralized by assignment of assessments. As of December 31, 2023, and 2022, the Association has not utilized this line of credit.

**NOTE 12. DESIGNATED FUND BALANCE**

The Board of Directors has designated a portion of its fund balance without donor restrictions for the following purposes:

	2023	2022
General	\$ 4,410,906	\$ 4,088,057
Repair and replacement	9,961,530	8,846,745
Storm recovery reserve	3,129,933	2,900,842
Community enhancement	3,558,846	2,981,511
ARB escrow	76,877	(35,837)
	\$ 21,138,092	\$ 18,781,318

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 13. COMMITMENTS**

In November 2005, the Association entered into a management agreement with an adjacent community concerning the allocation of cost sharing for the repair and maintenance of the Ocean Lane Corridor, the South Gate and the Queens Folly Corridor, and the division or allocation of revenue generated by the sale of certain passes issued by the Association. The agreement expired on December 31, 2020, and was renewed for an additional ten years and will automatically renew for successive periods of five years unless terminated by either party. Under the agreement, the adjacent community shall pay the Association 37.82% of recurring expenses for the Ocean Lane Corridor and 17.92% of recurring expenses for the Queens Folly Corridor. The Association shall pay the adjacent community 19.23% of the net income derived from the gate pass operations. During the years ended December 31, 2023 and 2022, the Association billed cost reimbursements of \$189,030 and \$175,488, respectively, for recurring expenses. During the years ended December 31, 2023 and 2022, the Association incurred expenses of \$558,268 and \$587,053, respectively, as a result of shared gate pass operations with an adjacent community.

The Association has an agreement with a company to provide transportation services. The total cost to the Association for transportation services for the years ended December 31, 2023 and 2022, was \$262,028 and \$265,271, respectively.

The Association has several maintenance service type agreements that expire through 2023. The following is a schedule of estimated future minimum payments under these agreements:

<u>Year Ending December 31,</u>	<u>Transportation</u>	<u>Maintenance</u>	<u>Total</u>
2024	\$ 224,405	\$ 249,999	\$ 474,404
2025	224,405	-	224,405
2026	224,405	-	224,405
	<u>\$ 673,215</u>	<u>\$ 249,999</u>	<u>\$ 923,214</u>

**NOTE 14. CONTINGENCIES**

The Association is involved in various claims and litigation, both for and against the Association, arising in the normal course of business. In the opinion of management and counsel, the outcome of these claims will have no material adverse effect on the Association. See Note 22. Subsequent Events.

**NOTE 15. DEFERRED COMPENSATION PLAN**

The Association has an Internal Revenue Service nonqualified deferred compensation plan covering its Chief Executive Officer (“Executive”). The Executive is entitled to receive a contribution of \$10,000 to the deferred compensation plan for each year of employment with the Association commencing January 1, 2015. The plan calls for a graduated vesting schedule. The Executive is 40% vested after three years, 60% after four years, and 100% vested after five years. Once fully vested, under these provisions, employer contributions cease. However, commencing on January 1, 2020, for each year of employment through January 1, 2024, the Executive shall be entitled to receive a contribution of \$30,000 under additional provisions of the plan. The contributions to the deferred compensation account and all earnings shall be 33.33% vested December 31, 2020. The Executive will continue to vest at 33.33% per year and will be fully vested in all contributions December 31, 2026.

Upon reaching the minimum retirement age or if termination is due to death, disability, certain other conditions, or employer change in control, the participant becomes 100% vested.

The Association contributed \$30,000 to the plan for the years ended December 31, 2023 and 2022. The liability of the plan is included in accrued expenses on the accompanying statements of financial position and was \$261,399 and \$155,173 as of December 31, 2023 and 2022, respectively.

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 16. 401(k) PLAN**

The Association provides a 401(k) Retirement Savings Plan for its employees. The plan is open to all full-time employees who have been with the Association for six months of service and are over 21 years of age. Employees may make elective contributions to the plan, and the Association matches employees' contributions equal to 100% of elective salary deferrals up to the first 6% of an employee's compensation.

The total cost to the Association under the 401(k) plan for the years ended December 31, 2023 and 2022, was \$148,228 and \$142,215, respectively.

Under the Plan, the Association may also make discretionary safe harbor matching contributions. For the years ended December 31, 2023 and 2022, no discretionary safe harbor matching contributions were made to the plan.

**NOTE 17. INCOME TAXES**

Beginning with the year ended December 31, 2013, the Association began filing its federal income tax return subject to the provisions of the Internal Revenue Code Section 501(c)(4). In accordance with the Internal Revenue Service, the Association is recognized as a "social welfare organization" and will pay no taxes on exempt function activities including investment earnings. However, the net income from unrelated business activities will be subject to taxation. The Association did not have any income tax from unrelated business activity for the years ended December 31, 2023 and 2022. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements.

The Association believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax provisions that are material to the financial statements as of December 31, 2023 and 2022.

The Association files information returns in the U.S. federal jurisdiction and the state of South Carolina.

**NOTE 18. STORM RECOVERY RESERVE FUND**

The Association's governing documents and applicable state laws do not require the Association to accumulate funds for unbudgeted and unexpected expenses as a result of a natural disaster, although the Association's amended Limited Residential Covenants permit an annual assessment to be used for this purpose. At December 31, 2023 and 2022, the net assets of the Storm Reserve Fund were \$3,129,933 and \$2,900,842, respectively.

The Board of Directors determined the Fund was appropriately replenished and did not approve storm fund assessment for the years ended December 31, 2023 and 2022.

In addition, the Association shall have the power to levy a special storm recovery assessment after a natural disaster in order to cover unbudgeted and unexpected expenses if the storm recovery reserve fund is insufficient. This special recovery assessment is limited to \$1,000 per lot on an annual basis.

**NOTE 19. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association accumulates funds for future major repairs and replacements. Accumulated funds, which aggregate \$9,961,530 and \$8,846,745 at December 31, 2023 and 2022, respectively, are invested at a financial institution and are generally not available for operating purposes. The Association funds actual repair and replacement expenditures from excess operating fund assessments as expenditures are incurred.

The funding program is based on a study performed by the Association in September 2011 and updated by management each calendar year to reflect any changes that occurred each calendar year to estimate the remaining useful lives and the replacement costs of the common property components. The remaining useful lives are estimates.

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 19. FUTURE MAJOR REPAIRS AND REPLACEMENTS, continued**

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs considering amounts previously accumulated in the repair and replacement fund. Actual expenditures, however, may vary from the estimated amounts, 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 Board approval, to increase regular assessments. With member approval, the Association has the right to levy a special assessment, or it may delay major repairs and replacements until funds are available.

**NOTE 20. TELECOMMUNICATIONS SERVICE CONTRACT**

In May of 2018, the Association, with help of a consultant, entered into a 12-year contract with a telecommunications service company to offer telecommunications service to the Association's members. The agreement provided for a one-time flat fee payment of \$368,200 which was reduced by the consulting fees. The Association realized deferred revenue in the amount of \$276,150 which is being amortized into revenue over the life of the contract. The Association will receive royalty income each calendar quarter over the term of the contract. Telecommunications fees and royalty income recognized in 2023 and 2022 were \$83,921 and \$75,747, respectively.

**NOTE 21. LIQUIDITY AND AVAILABILITY**

The Association's Board of Directors has established reserves for future repair and replacement, storm reserve, community enhancement, general funds, and Architectural Review Board escrow deposits. At December 31, 2023 and 2022, these designated funds were \$21,138,092 and \$18,781,318, respectively. The reserves may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. Financial assets available for general expenditure that is, without restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2023	2022
Current Assets, at December 31	\$ 23,735,643	\$ 22,188,851
Prepaid expenses	(283,143)	(130,281)
	23,452,500	22,058,570
Board designated reserves	(21,138,092)	(18,781,318)
Financial assets available to meet cash needs for operating expenditures within one year	\$ 2,314,408	\$ 3,277,252

**NOTE 22. SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through March 28, 2024, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. As discussed in Note 14, the Association is involved in various claims and litigation as a part of the normal course of business. Subsequent to year end, the Association reached a settlement for litigation related to the year ended December 31, 2023. This settlement does not have a significant adverse effect on the financial position of the Association.

SUPPLEMENTARY INFORMATION

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
STATEMENT OF FINANCIAL POSITION BY FUND  
December 31, 2023

	Operating	General	Repair and Replacement	Storm Recovery Reserve	Community Enhancement Fund	ARB Escrow	Total
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 554,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 554,834
Assessments receivable, net	11,675	-	-	-	-	-	11,675
Contract receivables	190,122	-	-	-	-	-	190,122
Investments	619,704	4,410,906	9,961,530	3,129,933	3,558,846	1,014,950	22,695,869
Prepaid expenses	283,143	-	-	-	-	-	283,143
Total current assets	<u>\$ 1,659,478</u>	<u>\$ 4,410,906</u>	<u>\$ 9,961,530</u>	<u>\$ 3,129,933</u>	<u>\$ 3,558,846</u>	<u>\$ 1,014,950</u>	<u>\$ 23,735,643</u>
Right of use asset	\$ 70,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,245
<b>Property and Equipment</b>							
Property and equipment, net of accumulated depreciation	23,159,281	-	-	-	-	-	23,159,281
Total right of use assets, property and equipment	<u>23,229,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,229,526</u>
<b>TOTAL ASSETS</b>	<u>\$ 24,889,004</u>	<u>\$ 4,410,906</u>	<u>\$ 9,961,530</u>	<u>\$ 3,129,933</u>	<u>\$ 3,558,846</u>	<u>\$ 1,014,950</u>	<u>\$ 46,965,169</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 380,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 380,531
Accrued expenses	611,013	-	-	-	-	-	611,013
Architectural Review Board - deposits	-	-	-	-	-	938,073	938,073
Contract liabilities	423,715	-	-	-	-	-	423,715
Lease liability - current	25,281	-	-	-	-	-	25,281
Total current liabilities	<u>1,440,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>938,073</u>	<u>2,378,613</u>
<b>Long term liabilities</b>							
Lease liability - long-term	45,159	-	-	-	-	-	45,159
<b>TOTAL LIABILITIES</b>	<u>1,485,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>938,073</u>	<u>2,423,772</u>
<b>Fund Balance Without Donor Restrictions</b>							
Undesignated	23,403,305	-	-	-	-	-	23,403,305
Designated	-	4,410,906	9,961,530	3,129,933	3,558,846	76,877	21,138,092
Total fund balance without donor restrictions	<u>23,403,305</u>	<u>4,410,906</u>	<u>9,961,530</u>	<u>3,129,933</u>	<u>3,558,846</u>	<u>76,877</u>	<u>44,541,397</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 24,889,004</u>	<u>\$ 4,410,906</u>	<u>\$ 9,961,530</u>	<u>\$ 3,129,933</u>	<u>\$ 3,558,846</u>	<u>\$ 1,014,950</u>	<u>\$ 46,965,169</u>

PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
STATEMENTS OF ACTIVITIES, AND CHANGES IN FUND BALANCE BY FUND  
For the Year Ended December 31, 2023

	Operating	General	Repair and Replacement	Storm Recovery Reserve	Community Enhancement Fund	ARB Escrow	Total
<b>Revenues</b>							
Assessment & fees	\$ 4,826,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,826,816
Pass office - seasonal	2,637,810	-	-	-	-	-	2,637,810
Pass office - daily	970,343	-	-	-	-	-	970,343
CEF revenue	-	-	-	-	704,414	-	704,414
Security	468,320	-	-	-	-	-	468,320
Transportation	303,100	-	-	-	-	-	303,100
Community services	205,639	-	-	-	-	-	205,639
Telecommunication services	83,921	-	-	-	-	-	83,921
Property operations	71,885	-	-	-	-	-	71,885
General and administrative	58,886	-	-	-	-	-	58,886
Finance charges on delinquent accounts	5,920	-	-	-	-	-	5,920
Total revenues	<u>\$ 9,632,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 704,414</u>	<u>\$ -</u>	<u>\$ 10,337,054</u>
<b>Expenses</b>							
Security	\$ 2,546,376	\$ -	\$ -	\$ -	\$ -	\$ -	2,546,376
General and administrative	1,825,134	-	-	-	-	-	1,825,134
Property operations	2,095,286	-	-	-	-	-	2,095,286
Pass office	694,691	-	-	-	-	-	694,691
Leamington Cost Share	558,268	-	-	-	-	-	558,268
Transportation	270,032	-	-	-	-	-	270,032
Community services	244,231	-	-	-	-	-	244,231
Community enhancements	-	-	-	-	140,776	-	140,776
Assessment & fees	21,449	-	-	-	-	-	21,449
Total expenses	<u>\$ 8,255,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,776</u>	<u>\$ -</u>	<u>\$ 8,396,243</u>
<b>Other income (expenses)</b>							
Investment income	\$ 37,631	\$ 163,213	\$ 381,774	\$ 115,814	\$ 132,939	\$ 40,167	\$ 871,538
Realized gains on sales of investments	9,152	-	-	-	-	-	9,152
Realized gains on sales of fixed assets	27,590	-	-	-	-	-	27,590
Unrealized gains on investments	104,610	159,636	340,034	113,277	127,195	43,421	888,173
Total other income (expenses)	<u>178,983</u>	<u>322,849</u>	<u>721,808</u>	<u>229,091</u>	<u>260,134</u>	<u>83,588</u>	<u>1,796,453</u>
Increase in fund balance	1,556,156	322,849	721,808	229,091	823,772	83,588	3,737,264
Fund balance, beginning of year	22,022,815	4,088,057	8,846,745	2,900,842	2,981,511	(35,837)	40,804,133
Repair and replacement transfer	(2,100,000)	-	2,100,000	-	-	-	-
Transfers between funds	1,924,334	-	(1,707,023)	-	(246,437)	29,126	-
Fund balance, end of year	<u>\$ 23,403,305</u>	<u>\$ 4,410,906</u>	<u>\$ 9,961,530</u>	<u>\$ 3,129,933</u>	<u>\$ 3,558,846</u>	<u>\$ 76,877</u>	<u>\$ 44,541,397</u>

REQUIRED SUPPLEMENTARY INFORMATION



PALMETTO DUNES PROPERTY OWNERS ASSOCIATION, INC.  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 (UNAUDITED)  
 December 31, 2023

The management of Palmetto Dunes Property Owners Association, Inc. conducted a study to estimate the remaining useful lives and replacement costs of components of common property. This study was last updated as of December 31, 2022. The next study will be finished in 2024.

The following table is based on the study and presents significant information about the components of common property:

	<u>Remaining Useful Lives In Years</u>	<u>Estimated Future Replacement Costs</u>
General grounds	4-41	\$ 5,086,655
Primary asphalt roads	0-31	5,997,135
Secondary mariners roads	7-17	1,926,500
Local mariners roads	0-22	3,065,488
Secondary invernness roads	10-31	929,555
Local invernness roads	9-10	644,505
Vehicle bridges	2-70	58,606,056
Pedestrian trails and bridges	0-22	5,280,771
General administration and security	1-31	4,291,146
Vehicles	0-9	711,302
Drainage	0-57	<u>10,615,802</u>
		<u>\$ 97,154,915</u>

The study also projects costs associated with major repairs and replacements over a 30-year period using an inflation rate of 3%.