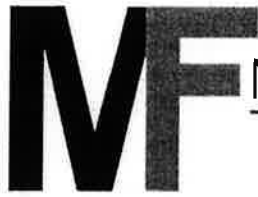


**WILDWOOD PROPERTY
OWNERS ASSOCIATION**

**REVIEWED
FINANCIAL STATEMENTS**

DECEMBER 31, 2023



MITCHELL T FONTENOTE CPA, INC.

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Wildwood Property Owners Association
Wildwood, Texas

We have reviewed the accompanying financial statements of Wildwood Property Owners Association, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in member's equity for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

Management's Responsibility 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; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in Schedules I is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
February 6, 2024

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WILDWOOD PROPERTY OWNERS ASSOCIATION**BALANCE SHEET – ASSETS****DECEMBER 31, 2023**

Assets	Operating Fund	Capital Fund	Totals 2023
<u>Current Assets</u>			
Cash and cash equivalents	\$ 220,109	\$ -	\$ 220,109
Investments	-	775,269	775,269
Accounts receivable (net of allowance for doubtful accounts of \$637,472)	745,789	-	745,789
Inventory	9,549	-	9,549
Prepaid expenses	12,522	-	12,522
Real estate inventory	564,856	-	564,856
Total current assets	<u>1,552,825</u>	<u>775,269</u>	<u>2,328,094</u>
<u>Property and Equipment</u>			
Land - commercial	1,243,292	-	1,243,292
Improved properties	5,727,785	-	5,727,785
Furniture and equipment	1,248,317	-	1,248,317
Work in Progress	46,091	-	46,091
Total property and equipment	<u>8,265,485</u>	<u>-</u>	<u>8,265,485</u>
Less: Accumulated depreciation	<u>(5,822,188)</u>	<u>-</u>	<u>(5,822,188)</u>
Net land, property, and equipment	<u>2,443,297</u>	<u>-</u>	<u>2,443,297</u>
Total Assets	<u>\$ 3,996,122</u>	<u>\$ 775,269</u>	<u>\$ 4,771,391</u>

The accompanying notes are an integral part of these financial statements.

WILDWOOD PROPERTY OWNERS ASSOCIATION
BALANCE SHEET – LIABILITIES & MEMBER'S EQUITY
DECEMBER 31, 2023

<u>Liabilities</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Totals 2023</u>
<u>Current Liabilities</u>			
Accounts payable	\$ 116,435	\$ -	\$ 116,435
Property taxes payable	108,245	-	108,245
Other liabilities	38,181	-	38,181
Total current liabilities	<u>262,861</u>	<u>-</u>	<u>262,861</u>
<u>Noncurrent Liabilities</u>			
Notes payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>262,861</u>	<u>-</u>	<u>262,861</u>
 <u>Member's Equity</u>			
Contributed Capital	6,400	-	6,400
Member's Equity	3,726,861	775,269	4,502,130
Total Fund Balance	<u>3,733,261</u>	<u>775,269</u>	<u>4,508,530</u>
Total Liabilities and Fund Balance	<u>\$ 3,996,122</u>	<u>\$ 775,269</u>	<u>\$ 4,771,391</u>

The accompanying notes are an integral part of these financial statements.

WILDWOOD PROPERTY OWNERS ASSOCIATION**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Totals 2023</u>
<u>Revenues</u>			
Assessments and fees	\$ 1,508,234 ✓	\$ -	\$ 1,508,234
Utility billings	236,634 ✓	-	236,634
Rental income	96,023 ✓	-	96,023
Golf and pro shop	481,694 ✓	-	481,694
Interest, dividends, and changes in value	-	70,597	70,597
Realized gains from sales of investments	-	(3,877)	(3,877)
Total Revenues	<u>2,322,585</u>	<u>66,720</u>	<u>2,389,305</u>
<u>Expenses</u>			
Administrative	1,635,632	-	1,635,632
Equipment rental	60,047	-	60,047
Golf Course	533,435	-	533,435
Grill	15,915	-	15,915
Maintenance & Streets	69,937	-	69,937
Utilities	78,389	-	78,389
Depreciation	227,369 ✓	-	227,369
Total Expenses	<u>2,620,724</u>	<u>-</u>	<u>2,620,724</u>
Change in Fund Balance from Operations	(298,139)	66,720	(231,419)
<u>Other Sources (Uses) of Income</u>			
Transfer In (Out)	<u>(73,000)</u>	<u>73,000</u>	<u>-</u>
Total Other Sources (Uses)	<u>(73,000)</u>	<u>73,000</u>	<u>-</u>
Change in Member's Equity	<u>(371,139)</u>	<u>139,720</u>	<u>(231,419)</u>
<u>Member's Equity</u>			
Beginning of the year	<u>4,098,000</u>	<u>635,549</u>	<u>4,733,549</u>
End of the year	<u>\$ 3,726,861</u>	<u>\$ 775,269</u>	<u>\$ 4,502,130</u>

The accompanying notes are an integral part of these financial statements.

WILDWOOD PROPERTY OWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 – NATURE OF ORGANIZATION

Wildwood Property Owners Association (the "Association") was incorporated on September 3, 1985 in the State of Texas. The Association is responsible for the operation and maintenance of the common and rental property within the development. The development consists of 609 residential units located on approximately 3,200 acres in Hardin and Tyler counties, Texas. Common property consists primarily of undeveloped property, developed property available for sale, a lake, a golf course, tennis court, a lodge, administration offices, streets and roads, and a water and sewer system.

NOTE 2 – BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions of 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 operations of the Association.

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

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 may differ from those estimates.

Revenue Recognition

The Association has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes are necessary to conform with the new standard.

Cash and Cash Equivalents

The Association considers all unrestricted cash and highly liquid investments with maturities of three months or less to be cash equivalents.

WILDWOOD PROPERTY OWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2 – BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Accounts Receivable

Accounts receivable is comprised primarily of receivables related to member assessment fees and utility fees. Accounts receivable of \$1,383,261 at December 31, 2023, is gross receivables and the allowance for doubtful accounts is \$637,472. The Association is in the process of performing analysis on these receivables to properly charge off those that are uncollectible. Receivables are comprised of:

Homes:	\$	284,880
Less: allowance for doubtful accounts		(11,395)
Lot Owners:		1,098,381
Less: allowance for doubtful accounts		(626,077)
Total accounts receivables	\$	<u>745,789</u>

The Association will write off receivables once they reach \$5,000.

Recognition of Assets and Depreciation Policy

The Association's expenditures for the acquisition and improvement of property and equipment are stated at cost. The Association capitalizes all property and equipment to which it has title or other evidence of ownership. Expenditures for maintenance and minor replacement items are charged against revenues when incurred. Acquisitions of property and equipment in excess of \$2,000 are capitalized and depreciated over the estimated useful life using the modified accelerated cost recovery system (MACRS) method.

Investments

Investments in certificates of deposit and mortgage backed securities having readily determinable fair value are carried at fair market value which is determined by reference to inputs other than quoted market prices in active markets that are either directly or indirectly observable. Investment returns include interest and realized and unrealized gains and losses (See Note 4). The Association's brokerage account is covered by Securities Investor Protection Insurance (SIPC) up to \$500,000; however, this insurance does not protect the Association's investments from risk of loss due to market risk: the inherent risk of a fluctuating market.

Member Assessments

Association members are subject to annual assessments based on a flat rate per unit to provide funds for the Association's operating expenses, future capital acquisition, and major repairs and replacement. The annual budget and the assessment of owners is approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association has the right to enforce the collection of assessments by placing a lien on the underlying title to the property. All funds are collected in the Maintenance and Operating Fund and the Capital portion then disbursed to actual Capital Fund.

Inventories

Inventories are valued at the lower of cost or market.

SUPPLEMENTARY INFORMATION

WILDWOOD PROPERTY OWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2 – BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.
Continued

Income Taxes

The Association has elected to be taxed as a homeowner’s association subject to IRC Section 528, whereby net income derived from defined exempt function activities is not subject to income tax, and non-exempt function net income is taxed at a rate of 30%. Exempt function summarily consists of amounts received from Association members solely as a function of their membership in the Association. Non-exempt function income results primarily from revenue from nonmembers, investment income, and from members for activities outside the course of regular membership assessment. The Association has evaluated its uncertain tax positions and has determined that no probable tax liability has been incurred for all open tax years (2020 through 2022); therefore, no loss contingency is recognizable because none can be reasonable estimated. The amount that is ultimately sustained for all uncertain tax positions in the aggregate could differ from the amount recognized.

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2023 cash and cash equivalents were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	<u>\$ 220,107</u>	<u>\$ 300,042</u>

NOTE 4 – CREDIT RISK

The Association maintains deposits within federally insured limits and does not believe it is exposed to significant credit risk on cash balances.

The Association is potentially subject to concentrations of credit risk in its accounts receivable. Credit risk with respect to receivables is limited due to the number of members comprising the Company’s customer base. Although the Company is directly affected by the financial condition of its customers, management does not believe significant credit risks exists at year end. Generally, the Association does not require collateral or other securities to support its accounts receivable.

NOTE 5 – FAIR VALUE MEASUREMENTS

The Association measures its financial assets and liabilities under accounting guidance which establishes a three-tier hierarchy and prioritized the inputs used in measuring fair value. These tiers include:

Level 1 – observable inputs such as quoted prices in active markets

Level 2 – directly or indirectly observable inputs other than quoted prices in active markets

Level 3 – unobservable inputs in which little or no market data exists, requiring the development of assumptions by the entity

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

WILDWOOD PROPERTY OWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 5 – FAIR VALUE MEASUREMENTS, Continued

Much of the information used to determine fair values is highly subjective and judgmental in nature and, therefore, the results may not be precise. Additionally, estimates of cash flows, risk characteristics, credit quality and interest rates are all subject to change. Since the fair values are estimated as of the statement of financial position date, the amounts, which will actually be realized or paid upon settlement or maturity of the various instruments, could be significantly different than the estimates.

The Association's financial assets are measured at fair value on a recurring basis and included mortgage and assets-backed government securities, fixed income and bond funds, and stock funds, which are all classified within Level 2, as these assets are valued using inputs other than quoted prices in active markets that are either directly or indirectly observable. The Association recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer.

The following fair value hierarchy table presents information about the Association's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Association to determine such fair value. There have been no changes in methodologies used at December 31, 2023.

	Fair Value	Quoted prices in active Markets for identical assets Level 2
Mutual Funds	\$ 775,269	\$ 775,269
	<u>\$ 775,269</u>	<u>\$ 775,269</u>

Investment return, including interest on cash accounts, is compromised of the following:

	2023	2022
Interest and dividend income	25,987	7,138
Unrealized gain (loss) on investments reported at fair value	<u>\$ 25,987</u>	<u>\$ 7,138</u>

NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which are generally not available for operating purposes, are held in separate investment accounts and aggregate approximately \$775,267 and \$651,817 at year end 2023 and 2022 respectively.

The Association funds major repairs and replacements over the estimated useful lives of the components based on management's estimates of current replacement costs, considering amounts previously accumulated in the Capital Fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material (see supplementary information Schedule I). Therefore, amounts accumulated in the Capital Fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

WILDWOOD PROPERTY OWNERS ASSOCIATION**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2023****NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,243,292	\$ 1,243,292
Improved properties	5,727,785	5,717,785
Furniture and equipment	1,248,317	1,214,888
Work in Progress	46,091	14,504
	<u>8,265,485</u>	<u>8,190,469</u>
Less: Accumulated Depreciation	<u>(5,822,188)</u>	<u>(5,594,819)</u>
Net Property and Equipment	<u>\$ 2,443,297</u>	<u>\$ 2,595,650</u>

The Association recorded depreciation expense for the current year of \$227,369; prior year totaled \$272,155.

NOTE 8 – COMPENSATED ABSENCES

Compensated absences have not been accrued in the financial statements because the amount cannot be reasonable estimated by the Association's management.

NOTE 9 – SUBSEQUENT EVENTS EVALUATION

Subsequent events have been evaluated through February 6, 2024, the date the financial statements were available to be issued. No events were discovered that would require disclosure.

**UNAUDITED SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023**

The Association's management conducted a reserve study as of December 31, 2015 to estimate the remaining useful lives and the replacement costs of the components of its property and equipment, based upon historical costs and estimated remaining useful lives of the existing assets.

Following is significant information about the components of the property and equipment.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost (Reserve Requirement Present Dollars)
Buildings	1 to 20	\$ 1,566,058
Commercial appliances	7 to 22	40,752
Common grounds	1 to 20	770,679
Equipment - grounds	1 to 25	412,104
Equipment - mechanical	2 to 25	637,133
Golf course	5 to 20	552,140
Playground	5 to 20	73,853
Streets	5 to 25	5,244,644
		\$ 9,297,363
 The Capital Fund Balance is:		 \$ 775,269