

SHEARWATER INTERVAL OWNERS ASSOCIATION
PRINCEVILLE, KAUAI, HAWAII
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Shearwater Interval Owners Association

Opinion

We have audited the accompanying financial statements of Shearwater Interval Owners Association, which comprise the balance sheet as of December 31, 2022, and the related statements of revenue, expenses 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 Shearwater Interval Owners Association as of December 31, 2022, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shearwater Interval Owners Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Shearwater Interval Owners Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
of Shearwater Interval Owners Association

Auditors' 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 auditors' 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 generally accepted auditing standards 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 Shearwater Interval Owners 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 Shearwater Interval Owners 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 15 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.

To the Board of Directors
of Shearwater Interval Owners Association

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenue and expenses - budget to actual, is presented for purposes of additional analysis and is 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, except for the portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
March 20, 2023

SHEARWATER INTERVAL OWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2022

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 1,475,843	\$ 890,967	\$ 2,366,810
Certificates of deposit	728,000	944,000	1,672,000
Investments	396,736	437,737	834,473
Assessments receivable, net	1,518	-	1,518
Due from CWP	4,678	-	4,678
Due from Management Company	28,387	-	28,387
Other receivables	180	-	180
Prepaid insurance	3,492	-	3,492
Due from (to) funds	(150)	150	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,638,684</u>	<u>\$ 2,272,854</u>	<u>\$ 4,911,538</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued expenses	\$ 74,220	\$ 71,370	\$ 145,590
Assessments received in advance	1,478,642	-	1,478,642
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,552,862	71,370	1,624,232
Fund balance	<u>1,085,822</u>	<u>2,201,484</u>	<u>3,287,306</u>
Total liabilities and fund balance	<u>\$ 2,638,684</u>	<u>\$ 2,272,854</u>	<u>\$ 4,911,538</u>

Read Independent Auditors' Report.
The accompanying notes are an integral part of the financial statements.

SHEARWATER INTERVAL OWNERS ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operating Fund	Replacement Fund	Total
Revenue			
Member assessments	\$ 2,301,092	\$ 437,580	\$ 2,738,672
Late fees	12,000	-	12,000
Interest	4,921	8,374	13,295
Rental	125,457	-	125,457
Sales of Association owned weeks	56,800	-	56,800
Housekeeping reimbursement	71,195	-	71,195
Other	6,194	-	6,194
	<hr/>	<hr/>	<hr/>
Total revenue	2,577,659	445,954	3,023,613
Expenses	<hr/> 2,379,524	<hr/> 71,370	<hr/> 2,450,894
Excess of revenue over expenses	198,135	374,584	572,719
Fund balance, beginning of year	958,687	1,755,900	2,714,587
Interfund transfer	<hr/> (71,000)	<hr/> 71,000	<hr/> -
Fund balance, end of year	<hr/> <u>\$ 1,085,822</u>	<hr/> <u>\$ 2,201,484</u>	<hr/> <u>\$ 3,287,306</u>

Read Independent Auditors' Report.
The accompanying notes are an integral part of the financial statements.

SHEARWATER INTERVAL OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities			
Excess of revenue over expenses	\$ 198,135	\$ 374,584	\$ 572,719
Adjustments to reconcile to net cash flows from operating activities:			
Provision for doubtful accounts	14,123	-	14,123
Changes in:			
Assessments receivable	5,660	-	5,660
Due from CWP	(953)	-	(953)
Due from Management Company	(25,599)	-	(25,599)
Other receivables	6,747	-	6,747
Prepaid insurance	171	-	171
Accounts payable and accrued expenses	19,854	71,370	91,224
Assessments received in advance	(89,909)	-	(89,909)
Net cash flows from operating activities	<u>128,229</u>	<u>445,954</u>	<u>574,183</u>
Cash Flows From Investing Activities			
Purchases of certificates of deposit	(728,000)	(644,000)	(1,372,000)
Proceeds from redemptions of certificates of deposit	698,000	1,296,000	1,994,000
Purchases of investments	(396,736)	(437,737)	(834,473)
Net cash flows from investing activities	<u>(426,736)</u>	<u>214,263</u>	<u>(212,473)</u>
Cash Flows From Financing Activities			
Interfund transfer	(71,000)	71,000	-
Net (decrease) increase	(369,507)	731,217	361,710
Cash, beginning of year	<u>1,845,350</u>	<u>159,750</u>	<u>2,005,100</u>
Cash and cash equivalents, end of year	<u>\$ 1,475,843</u>	<u>\$ 890,967</u>	<u>\$ 2,366,810</u>
Supplemental Information			
Income taxes paid	<u>\$ 2,421</u>	<u>\$ -</u>	<u>\$ 2,421</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Read Independent Auditors' Report.
The accompanying notes are an integral part of the financial statements.

SHEARWATER INTERVAL OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - ORGANIZATION AND PURPOSE

Shearwater Interval Owners Association (the “Association”) was incorporated on November 30, 1993, under the laws of Hawaii as a nonprofit corporation, to operate and manage The Shearwater (the “Condominium”). The Association consists of 32 interval ownership units, located in Princeville, Kauai, Hawaii. The owners of all weeks in the Association are the only members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Association’s governing documents provide guidelines for governing its financial activities. To ensure observance of limitations 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 operations of the Association.

Replacement fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all highly liquid investment instruments purchased with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Certificates of Deposit

The Association invests in federally insured certificates of deposit which are considered held-to-maturity. As a result, certificates of deposit are carried at amortized cost plus accrued interest. Subsequent write ups or write downs to fair value to recognize unrealized gains or losses are not recorded.

Investments

The Association classifies its debt securities as held-to-maturity. Debt securities are classified as held-to-maturity when the Association has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded at amortized cost. Gains or losses on securities sold are based on the specific identification method.

SHEARWATER INTERVAL OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Assessments Receivable

Assessments receivable are generally considered delinquent when the payment is not received on or before the due date. The Association accounts for potential losses in assessments receivable utilizing the allowance method. The Association maintains an allowance for doubtful accounts at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses are determined principally on the basis of experiences in the preceding years, taking into account historical losses, industry standards and current economic conditions. All accounts or portions thereof deemed to be uncollectible are reserved for in the allowance for doubtful accounts. Provision for doubtful accounts expense for the year ended December 31, 2022, was \$73,762. The Association received foreclosure credits from Wyndham Vacation Resorts, Inc. (“WVR”) that resulted in reductions to the Association’s bad debt, as further described in Note 7.

Property and Equipment

The Association follows prevalent industry practice, as contained in ASC Subtopic 972-360, “Real Estate - Common Interest Realty Associations - Property, Plant and Equipment” in accounting for the common property of the Association, which it is responsible to preserve and maintain. Property is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property or the property is used by the Association to generate significant cash flow from members on the basis of usage or from nonmembers.

Common property is not capitalized as these items do not meet the capitalization criteria, since ownership of the commonly owned assets is vested in the members, those assets are not titled in the Association’s name and disposition of those assets by the Board of Directors (the “Board”) is restricted. Additions and improvements to common property are accounted for as major repair and replacement expenditures in the replacement fund.

Leases

The Association determines if an arrangement is or contains a lease at inception. Leases may contain lease and non-lease components, which are not separated by the Association. The Association does not report right of-use assets or lease liabilities for their short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense when incurred, as further described in Note 9.

Income Taxes

The Association can elect to file its income tax return as a Homeowners’ Association, in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The effect of the election is to tax the Association only on its “non-exempt function” income, reduced by a specific \$100 deduction at a flat 32% rate. If such election is not made, the Association’s net income is subject to tax at statutory corporate rates.

Management has analyzed its various federal and state filing positions and believes that the Association’s income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The Association’s federal and state income tax returns remain subject to examination by the Internal Revenue Service and the State of Hawaii, respectively, for three years from the date of filing.

Read Independent Auditors’ Report.

SHEARWATER INTERVAL OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The Association has elected to be taxed as a Homeowners' Association, which has resulted in a federal income tax liability of \$2,921 and a state income tax liability of \$371, reduced by a \$387 prior year overpayment, for the year ended December 31, 2022, included in accounts payable and accrued expenses.

Fair Value Measurements

The Association measures certain assets at fair value in accordance with current accounting standards on fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). The fair value of substantially all debt securities is determined by a broker using a third party source.

Assessment Revenue

Member assessments revenue is recognized monthly in the amount of the membership assessment allocation specified for current period operations, based on the annual budget determined and approved by the Board. A proportionate share of the maintenance fees is assessed for each week based on unit type.

Member assessments for the Association include association dues for The Shearwater Association of Apartment Owners ("TSWAOAO"). The association dues are transferred to TSWAOAO on a monthly basis. During the year ended December 31, 2022, association dues for TSWAOAO that were assessed through the Association totaled \$1,137,603. As of December 31, 2022, no amount was due to TSWAOAO.

Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring 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.

Late fees revenue is recognized when collected.

Recently Adopted Accounting Guidance

As of January 1, 2022, the Association changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective transition method. There was no cumulative effect adjustment to the Association's balance sheet as of January 1, 2022. The Association elected the package of practical expedients to account for existing leases, without reassessing (a) whether the contracts contain leases under the new standard (b) the lease classification, or (c) whether the unamortized initial direct costs would have met the definition in the new guidance at commencement. Adoption of the new guidance had no significant impact on the balance sheet or the statement of revenue, expenses and changes in fund balance or cash flows for the year ended December 31, 2022.

SHEARWATER INTERVAL OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - CONCENTRATIONS

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash. The Association maintains cash balances at several financial institutions. Accounts at each commercial banking institution are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000. As of December 31, 2022, the uninsured balance was \$632,932, based on the bank statement balances, less the FDIC insurance.

Concentrations

As of December 31, 2022, WVR owned 414 weeks, or approximately 25% of the available weeks.

NOTE 4 - INVESTMENTS

The Association invests in U.S. Treasury securities. The amortized historical cost, aggregate fair value, and gross unrealized holding gain (loss), summarized by major security type, as of December 31, 2022, consisted of:

Debt Securities	Amortized Historical Cost	Aggregate Fair Value	Gross Unrealized Holding Gain (Loss)
U.S. Treasury securities	\$ 834,473	\$ 835,258	\$ 785

Future maturities of debt securities held as of December 31, 2022, consisted of:

Maturities	Amortized Historical Cost	Aggregate Fair Value	Unrealized Holding Gain (Loss)
Within one year	\$ 834,473	\$ 835,258	\$ 785

NOTE 5 - ASSESSMENTS RECEIVABLE

Assessments receivable, as of December 31, 2022, consisted of the following:

2022 and prior member assessments	\$ 330,412
Less: allowance for doubtful accounts	(328,894)
	\$ 1,518

NOTE 6 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future year assessments received by the Association prior to the due date.

SHEARWATER INTERVAL OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 - RELATED PARTY TRANSACTIONS

Employees of WVR serve as minority members of the board of directors of the Fairshare Vacation Owners Association, Inc. (“FVOA”). The Association has an agreement with FVOA, to allow members to participate in the program CLUB WYNDHAM Plus (“CWP”). The agreement expires concurrent with the date of expiration of the Trust agreement (currently December 31, 2025). CWP reimburses the Association for housekeeping fees incurred for split-week stays. The amount of reimbursement for the year ended December 31, 2022, was \$71,195. As of December 31, 2022, \$4,678 of that amount was due from CWP.

During the year ended December 31, 2022, WVR was billed assessments on inventory it owned. The total amount received or accrued was \$637,838 for the year ended December 31, 2022 and is included in member assessments. As of December 31, 2022, \$10 was due from WVR for assessments, included in assessments receivable.

The Association has an agreement with WVR that has resulted in a refund of bad debt and the sale of Association owned weeks. During the year ended December 31, 2022, the Association received a refund of bad debt expense in the amount of \$16,720 and revenue for the sale of Association owned weeks in the amount of \$56,800 related to this agreement. As of December 31, 2022, no amount was due from WVR related to this agreement.

A Board member is an employee of PAHIO Resorts, Inc. (the “Management Company”), an affiliate of WVR. In the normal course of business, the Association conducts certain transactions with the Management Company. The following amounts related to these transactions are included in the accompanying statement of revenue, expenses and changes in fund balances as follows:

Payroll and benefits	\$ 574,037
Accounting and data processing	18,332
Resort operations support	42,958
Management fees	130,277
	<u>\$ 765,604</u>

As of December 31, 2022, \$28,387 was due from Management Company for overpayment of the above expenses.

The Association has an agreement with Wyndham Extra Holidays (“EH”), an affiliate of WVR, to provide rental services. Per the agreement, the Association receives a commission from EH related to these rental services. For the year ended December 31, 2022, \$125,457 was received or accrued from EH for rental commissions. As of December 31, 2022, there was no amount due from EH related to these rental commissions.

NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association’s replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fees assessment charged to each member and specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board, to meet the objective for which the fund was established. The Association’s policy is to retain the investment income earned on such funds in the replacement fund.

The 2022 funding requirement was computed over the estimated useful lives of the components, based on an independent appraiser’s estimates of current replacement costs, updated by management.

SHEARWATER INTERVAL OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The 2023 proposed budgeted funding is \$437,580, as shown in the unaudited supplementary information. The components' actual replacement costs, useful lives, and interest income may vary from estimated amounts and the variation may be material. Therefore, the Association's replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board, on behalf of the Association, has the power to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 9 - COMMITMENTS

The Association has a three-year management agreement with PAHIO Resorts, Inc. (the "Management Company") ending December 31, 2024. The contract renews for successive three-year periods until terminated, under the laws of the State of Hawaii. The Management Company provides management, maintenance, administrative and accounting services. The management agreement provides that the Management Company may subcontract its rights, duties and obligations.

The Association has a one-year lease agreement with the Management Company to rent a portion of the clubhouse, expiring on January 31, 2023. The lease is renewable for additional one-year terms. The lease calls for monthly base rent payments in an amount equal to the actual costs and expenses relating to or arising from the use, maintenance, operation, repair, insurance, labor and contract services, restoration, alteration, relocation, substitution or replacement, and management of the leased premises, including a pro-rata share of all utilities, master association assessments, condominium or vacation plan assessments, annual depreciation costs, and property taxes. For the year ended December 31, 2022, clubhouse expense was \$53,471, shown as recreation and amenities.

NOTE 10 - ECONOMIC DEPENDENCY

The Association derived approximately 23% of its revenue from WVR during the year ended December 31, 2022.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 20, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SHEARWATER INTERVAL OWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2022
(Unaudited)

An independent appraiser conducted a study during 2020, to estimate the remaining lives and the replacement costs of the components of common property. The following table, which has been updated by management, is based on the study and presents significant information about the components of common property. Amounts are based on normal operation and without the effect of potential catastrophic occurrences.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2023 Proposed Budgeted Funding
Accessories	10.00	\$ 59,665	
Appliances	3.00	105,406	
Attic stock	3.00	9,500	
Cabinets and counters	4.75	767,316	
Case goods	7.48	346,681	
Doors	2.00	68,395	
Doors and windows	6.00	172,958	
Electronics	4.25	64,922	
Fixtures	10.00	186,957	
Flooring	10.00	282,464	
Interior finishes	5.00	472,481	
Lighting	6.00	142,724	
Presidential	7.04	1,796,492	
Soft goods	3.00	350,989	
		<u>\$ 4,826,950</u>	<u>\$ 437,580</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 2% and the rate of inflation 3%.

SHEARWATER INTERVAL OWNERS ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget <i>(Unaudited)</i>	Actual	Variance
Revenue			
Member assessments	\$ 2,301,092	\$ 2,301,092	\$ -
Late fees	4,535	12,000	7,465
Interest	11,686	4,921	(6,765)
Rental	130,487	125,457	(5,030)
Sales of Association owned weeks	30,000	56,800	26,800
Housekeeping reimbursement	62,405	71,195	8,790
Other	4,176	6,194	2,018
	<u>2,544,381</u>	<u>2,577,659</u>	<u>33,278</u>
Expenses			
Laundry and linen service	102,791	76,003	26,788
Housekeeping	345,993	312,139	33,854
Recreation and amenities	60,328	53,471	6,857
Telephone	29,892	32,359	(2,467)
Repair and maintenance	153,252	119,527	33,725
Utilities	70,165	71,165	(1,000)
Federal and state income and other taxes	81,785	82,421	(636)
Membership, dues and fees	-	979	(979)
Insurance	4,283	4,283	-
Management fees	130,277	130,277	-
Reservation and inventory management	24,654	19,972	4,682
Provision for doubtful accounts	92,538	57,042	35,496
Audit and tax preparation	6,423	6,401	22
Accounting and data processing	20,270	18,332	1,938
Collection fees	21,728	21,728	-
License and inspection fees	3,863	5,443	(1,580)
Professional fees	300	-	300
Master association dues	1,137,603	1,137,603	-
Guest services	139,124	104,936	34,188
General and administrative	145,384	133,302	12,082
Common area and grounds	-	(7,859)	7,859
	<u>2,570,653</u>	<u>2,379,524</u>	<u>191,129</u>
(Deficiency) excess of revenue over expenses	<u>\$ (26,272)</u>	<u>\$ 198,135</u>	<u>\$ 224,407</u>