
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shadow Lakes II Association

Opinion

We have audited the accompanying financial statements of Shadow Lakes II Association (an Illinois Homeowners' Association), which comprise the balance sheet as of December 31, 2021 and 2020, and the related statements of revenue, expenses and changes in members' equity and cash flows for the years 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 Shadow Lakes II Association as of December 31, 2021 and 2020, and the changes in its members' equity and its cash flows for the years 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shadow Lakes II 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 Shadow Lakes II 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 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 Shadow Lakes II 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 Shadow Lakes II 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.

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 expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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.

SKDO, P.C.

Bourbonnais, Illinois

March 23, 2022

Shadow Lakes II Association
(An Illinois Homeowner's Association)
Balance Sheet
As of December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 137,144	\$ 119,822
Reserved cash	1,007	2,605
Reserved investments	164,552	179,869
Accounts receivable, net	55,961	48,442
Prepaid expenses	1,269	962
Property and equipment, net	1,765,627	1,766,497
Total assets	\$ 2,125,560	\$ 2,118,197
Liabilities		
Accounts payable and accrued expenses	\$ 11,359	\$ 7,175
Long-term debt - amount due within one year	11,654	9,823
Other liabilities	83,463	75,767
Long-term debt - amount due after one year	25,310	26,691
Total liabilities	131,786	119,456
Members' equity	1,993,774	1,998,741
Total liabilities and members' equity	\$ 2,125,560	\$ 2,118,197

See accompanying notes and independent accountant's audit report.

Shadow Lakes II Association
(An Illinois Homeowner's Association)
Statement of Revenue, Expenses and Changes in Members' Equity
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Dues revenue	\$ 1,077,528	\$ 1,057,635
Fees charged	20,315	16,688
Violation and penalties income	24,771	18,443
Miscellaneous income	28,911	40,289
Total revenue	<u>1,151,525</u>	<u>1,133,055</u>
Expenses:		
Administrative and general	265,392	290,723
Beautification committee	1,074	683
Security committee	48,518	44,652
Fishing committee	18,000	18,000
Activities committee	43,875	11,175
Maintenance committee	783,415	667,762
Total expenses	<u>1,160,274</u>	<u>1,032,995</u>
Other income (expense):		
Interest income	348	3,690
Rent income	11,050	10,200
Gain/loss on disposal of assets	(7,285)	6,321
Interest expense	-	(654)
Income tax expense	(331)	(1,438)
Other income (expense), net	<u>3,782</u>	<u>18,119</u>
Excess of revenues over expenses	(4,967)	118,179
Members' equity, beginning	<u>1,998,741</u>	<u>1,880,562</u>
Members' equity, end of year	<u>\$ 1,993,774</u>	<u>\$ 1,998,741</u>

See accompanying notes and independent accountant's audit report.