

THE SUMMIT OWNERS' ASSOCIATION, INC.

**FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
The Summit Owners' Association, Inc.
Panama City Beach, Florida

We have audited the accompanying financial statements of The Summit Owners' Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Summit Owners' Association Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the statement of operating fund schedule of actual to budget comparison – time-share operating fund on page 14, 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 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 the Supplementary Information on Future Major Repairs and Replacements – Association on page 15 and the Supplementary Information on Future Major Repairs and Replacements – Time-share on page 16 be presented to supplement the basic financial statements as required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting 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 managements 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.

Coastal Accounting

COASTAL ACCOUNTING OF NW FLORIDA, PA

Certified Public Accountants and Consultants

Destin, Florida

May 24, 2021

THE SUMMIT OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Total</u>
ASSETS					
Cash	\$ 274,715	\$ 1,829,124	\$ 259,305	\$ 524,229	\$ 2,887,373
Assessments receivable, net	-	-	7,518	-	7,518
Prepaid insurance	108,211	-	-	-	108,211
Inventory	56,963	-	-	-	56,963
Other assets	9,370	-	22,822	-	32,192
Interfund balances	(159,426)	159,426	83,484	(83,484)	-
Property and equipment, net	15,683	-	32,071	-	47,754
TOTAL ASSETS	\$ 305,516	\$ 1,988,550	\$ 405,200	\$ 440,745	\$ 3,140,011
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 449,171	\$ -	\$ 4,994	\$ -	\$ 454,165
Accrued liabilities	9,484	-	-	-	9,484
Assessments received in advance	200,322	-	62,942	-	263,264
Contract liabilities (assessments received in advance - replacement fund)	-	1,988,550	-	440,745	2,429,295
Deferred special assessment revenue	-	-	43,317	-	43,317
Insurance loan payable	41,968	-	-	-	41,968
TOTAL LIABILITIES	700,945	1,988,550	111,253	440,745	3,241,493
FUND BALANCE	(395,429)	-	293,947	-	(101,482)
TOTAL LIABILITIES AND FUND BALANCE	\$ 305,516	\$ 1,988,550	\$ 405,200	\$ 440,745	\$ 3,140,011

See independent auditor's report and notes to financial statements.

THE SUMMIT OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES						
Assessments	\$ 1,921,630	\$ 142,045	\$ 779,771	\$ 335	\$ (168,504)	\$ 2,675,277
Bad debt recovery	12,735	-	-	-	-	12,735
Interest	7,289	5,278	1,159	408	-	14,134
Late charges/finance charges	5,559	-	26,315	-	-	31,874
Lease income	195,064	-	-	-	-	195,064
Other income	42,666	-	4,499	-	-	47,165
Rental, hospitality & beach income	271,978	-	3,561	-	-	275,539
Hurricane proceeds	4,568,766	-	-	-	-	4,568,766
Special assessment income	939,730	-	-	-	-	939,730
Timeshare income	83,486	-	-	-	(83,486)	-
Vending and games	7,621	-	-	-	-	7,621
Work order labor income	43,054	-	-	-	-	43,054
Work order materials income	43,757	-	-	-	-	43,757
TOTAL REVENUES	<u>8,143,335</u>	<u>147,323</u>	<u>815,305</u>	<u>743</u>	<u>(251,990)</u>	<u>8,854,716</u>
EXPENSES						
Administrative	\$ 70,604	\$ -	\$ 55,597	\$ -	\$ (21,667)	\$ 104,534
Assessments	-	-	168,504	-	(168,504)	-
Bad debt expense	-	-	165,303	-	-	165,303
Bank charges	2,919	-	949	-	-	3,868
Beach service	39,026	-	-	-	-	39,026
Depreciation	3,503	-	8,276	-	-	11,779
Insurance	362,209	-	-	-	-	362,209
Interest	788	-	-	-	-	788
See independent auditor's report and notes to financial statements.						Continued....

THE SUMMIT OWNERS' ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Eliminations</u>	<u>Total</u>
EXPENSES						
Hurricane repairs	4,568,766	-	-	-	-	4,568,766
Laundry	-	-	72,549	-	-	72,549
Legal	31,866	-	-	-	-	31,866
Maintenance and repairs	1,375,303	147,323	87,077	743	-	1,610,446
Meals and entertainment	737	-	-	-	-	737
Miscellaneous	974	-	-	-	-	974
Outside services	96,973	-	-	-	-	96,973
Property taxes	-	-	29,819	-	-	29,819
Salaries and wages	530,481	-	61,819	-	(61,819)	530,481
Security	322,265	-	-	-	-	322,265
Special assessment expense	939,730	-	-	-	-	939,730
Work order materials	35,419	-	-	-	-	35,419
Utilities	709,888	-	48,080	-	-	757,968
TOTAL EXPENSES	<u>9,091,451</u>	<u>147,323</u>	<u>697,973</u>	<u>743</u>	<u>(251,990)</u>	<u>9,685,500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(948,116)	-	117,332	-	-	(830,784)
FUND BALANCE - BEGINNING	<u>552,687</u>	<u>-</u>	<u>176,615</u>	<u>-</u>	<u>-</u>	<u>729,302</u>
FUND BALANCE - ENDING	<u>\$ (395,429)</u>	<u>\$ -</u>	<u>\$ 293,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,482)</u>

See independent auditor's report and notes to financial statements.

THE SUMMIT OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess of revenues over (under) expenses	\$ (948,116)	\$ -	\$ 117,332	\$ -	\$ (830,784)
Adjustments to reconcile excess of revenues over (under) expenses to net cash flows from operating activities:					
Bad debt expense	-	-	165,303	-	165,303
Depreciation	3,503	-	8,276	-	11,779
(Increase) decrease in assets					
Assessments receivable, net	45,247	-	(149,659)	-	(104,412)
Prepaid expenses	-	-	37,060	-	37,060
Prepaid insurance	(9,877)	-	-	-	(9,877)
Inventory	(19,207)	-	-	-	(19,207)
Other assets	-	-	(22,822)	-	(22,822)
Increase (decrease) in liabilities					
Accounts payable	430,152	-	(302,910)	-	127,242
Accrued liabilities	9,397	-	(177)	-	9,220
Accrued payroll	(16,939)	-	-	-	(16,939)
Assessments received in advance	190,413	-	37,835	-	228,248
Contract liabilities (assessments received in advance - replacement fund)	-	323,640	-	31,079	354,719
Deferred hurricane proceeds	(3,195,890)	-	-	-	(3,195,890)
Deferred special assessment revenue	(939,730)	-	(23,057)	-	(962,787)
<i>Net cash flows from operating activities</i>	<u>(4,451,047)</u>	<u>323,640</u>	<u>(132,819)</u>	<u>31,079</u>	<u>(4,229,147)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	(600)	-	-	-	(600)
See independent auditor's report and notes to financial statements.					Continued....

THE SUMMIT OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Interfund borrowings	93,133	(93,133)	(83,026)	83,026	-
Insurance loan proceeds	261,284	-	-	-	261,284
Insurance loan payments	(251,069)	-	-	-	(251,069)
<i>Net cash flows from financing activities</i>	<u>103,348</u>	<u>(93,133)</u>	<u>(83,026)</u>	<u>83,026</u>	<u>10,215</u>
NET CHANGE IN CASH	(4,348,299)	230,507	(215,845)	114,105	(4,219,532)
CASH - BEGINNING OF YEAR	<u>4,623,014</u>	<u>1,598,617</u>	<u>475,150</u>	<u>410,124</u>	<u>7,106,905</u>
CASH - END OF YEAR	<u>\$ 274,715</u>	<u>\$ 1,829,124</u>	<u>\$ 259,305</u>	<u>\$ 524,229</u>	<u>\$ 2,887,373</u>
SUPPLEMENTAL DISCLOSURES					
Interest paid	<u>\$ 788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 788</u>

See independent auditor's report and notes to financial statements.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - NATURE OF ORGANIZATION

The Summit Owners' Association, Inc. (the Association) is a condominium management association which was incorporated in the State of Florida in 1984. Membership in the Association is limited to the owners of units and unit-weeks in the Summit Condominium. The Summit Condominium consists of 449 individual residential units located on approximately 11.4 acres in Panama City Beach, Florida. The Association is responsible for the operation and maintenance of the common property and is supported by quarterly or annual assessment fees. The Association also operates and manages a time-share program consisting of 32 units (1,664 unit weeks including 32 maintenance weeks). The governing body consists of a Board of Directors elected by the members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

To ensure observance of limitations and restrictions on the use of its 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 and Time-share Operating Fund - These funds are used to account for financial resources available for general operations of the Association and to account for the operations of the association and time-share program.

Replacement Fund and Time-share Replacement Fund - These funds represent the resources restricted for future major repairs and replacements of designated common elements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows the Association considers certificates of deposit and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Member Assessments

Association members are subject to quarterly or annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on homeowners that are more than 90 days delinquent. Any excess assessments are retained by the Association for use in the succeeding year. At December 31, 2020, the Operating Fund and the Time-share fund had delinquent assessments of \$90,479 and \$979,073, respectively. It is the opinion of the board of directors that the Association will not be able to collect \$90,479 of the delinquent operating receivables and \$971,555 of the delinquent timeshare receivables.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments Received in Advance

Assessments received in advance represent the quarterly or annual member assessments received in advance for the subsequent year.

Interest Earned

Interest earned in the Operating fund bank accounts is allocated to the Operating fund. Interest earned in the Replacement fund bank accounts is allocated to the Replacement fund components as needed.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

The Association recognizes the following common property as assets:

- Common personal property used by the Association in operating, preserving, maintaining, repairing and replacing common property and providing other services.
- Common real property to which it has title and that it can dispose of for cash while retaining the proceeds or that it has used to generate cash flows from members on the basis of usage or from nonmembers.

Accordingly, the Association will recognize only common personal property as assets. The common property meeting the asset recognition policy is recorded at cost or estimated fair value on the date of donation and is depreciated over the assets estimated useful life using the straight-line method and accelerated methods when not materially different over the estimated useful lives of the assets ranging from 3 – 10 years. The Association is responsible for preserving and maintaining common properties and may dispose of them only with the consent of the Board of Directors.

Inventory

Inventory consists of unused supplies on hand for unit and building maintenance. Inventory is stated at cost using the weighted average cost method.

Interfund Balances

The interfund balances represent amounts collected or paid by one fund on behalf of another fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments. The balances of contract liabilities (assessments received in advance – replacement fund) in the Replacement Fund as of the beginning and the end of the year were \$1,664,910 and \$1,988,550, respectively. The balances of contract liabilities (assessments received in advance – replacement fund) in the Time-share Replacement Fund as of the beginning and the end of the year were \$409,666 and \$440,745, respectively.

Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2020. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions. The Association is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. With few exceptions, the Association is no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2017.

For federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files form 1120, which has a flat rate of 21% that are applied to net taxable income.

For state income tax purposes, the Association also is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 4.458 %.

NOTE 3 - ANNUAL BUDGET AND MEMBERS' ASSESSMENTS

The Association's by-laws require that the Board of Directors adopt a budget each year for common expenses and reserves. If the budget determined by the Board of Directors should exceed 115% of the prior year's budget, the unit owners' have a right to call a special meeting to vote on the budget. Assessments are made against the members' for their share of the budget. Such assessments are due in quarterly installments. For the year ended December 31, 2020, the quarterly assessments per unit type in the Association were \$1,314 for one bedroom, \$1,392 for two bedrooms, and \$1,623 for three bedrooms and the annual assessments per unit type in the time-share were \$480 for one bedroom and \$509 for two bedrooms.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment is summarized as follows:

Property and equipment	<u>Total</u>
Furniture & equipment	\$ 455,272
Less accumulated depreciation	<u>(407,518)</u>
Property and equipment, net	<u>\$ 47,754</u>

Depreciation expense for the year ended December 31, 2020 was \$11,779.

NOTE 5 – RESERVES FOR FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, Florida Statutes and Florida Administrative Code rules require that funds be accumulated for future major repairs and replacements unless membership of the Association votes to waive funding of reserves. Accumulated funds which aggregate \$1,988,550 and \$440,745, in the Replacement Fund and Time-Share Replacement Fund, respectively, are presented on the accompanying balance sheet as a contract liability (assessments received in advance – replacement fund) at December 31, 2020, are held in separate bank accounts and are generally not available for normal operating expenditures.

The Association is funding reserves based on a 2015 professional reserve study as updated by the Board of Directors. Accordingly, \$482,475 and \$31,414 of reserve funding has been included in the 2021 Replacement Fund and Time-share Replacement Fund budgets. Because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

Funds are being accumulated in the Replacement fund based on estimates of future needs for repairs and replacements of common property components. As a result, and because actual expenditures may vary from the estimated future expenditures and the variations may be material, amounts accumulated in the Replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The Association accumulates interest to be allocated to components based on future needs.

Amounts accumulated for future major repairs and replacements have been allocated by the board of directors as follows:

<u>Components</u>	<u>1/1/2020</u>	<u>Net Member Assessments</u>	<u>Interest/ Dividends/ Unrealized Gains (losses)</u>	<u>Major Repairs and Replacements</u>	<u>12/31/2020</u>
Replacement fund					
Pooled Components	\$ 1,664,910	\$ 465,685	\$ 5,278	\$ 147,323	\$ 1,988,550
Time-share replacement fund					
pooled components	409,666	31,414	408	743	440,745

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 - LINES OF CREDIT

The Association has two revolving lines of credit totaling \$350,000. Bank advances on the line of credit are payable on demand and the interest is due monthly. A variable interest rate based on the Prime Rate published by the Wall Street Journal plus 1.5% is the interest rate used for both lines of credit. The interest rate as of December 31, 2020 on the lines of credit was 4.75%. The lines of credit are collateralized by the assessments of the Association. As of December 31, 2020, the balance outstanding on the lines of credit was \$0.

NOTE 7 - LEASE INCOME

The Association leases several buildings and the right to provide recreational beach services and equipment which include: parasail, personal watercraft, beach and poolside photography, paddleboats, kayaks and banana boat rides. For the lease of the snack shack the Association received \$16,162. For the use of the facilities, Resort Collection paid the Association \$161,463 and Student Breaks paid the Association \$17,439 during 2020.

NOTE 8 – RENTAL, HOSPITALITY AND BEACH INCOME

For leasing the rental operations to a third party the Association receives the registration fees in full, seven percent of the gross reservation fee minus the guaranteed registration fee, seven percent of the food and beverage income, and five percent of damage fees. Damage waiver fees, registration fees, commissions, food and beverage income totaled \$7,376, \$93,754, \$16,102, and \$24,746 respectively. The Association runs a beach chair rental program. Beach chair rental revenues of \$130,000 were received in 2020. Time-share units owned by SOA are rented by the Association. Rental income collected from these units totaled \$3,561 in 2020.

NOTE 9 – WORK ORDER INCOME AND EXPENSE

The Association employs a maintenance department which bills owners for labor hours along with materials used for maintenance work completed within a unit. Work order labor and materials income for the year ended December 31, 2020 were \$43,054 and \$43,757, respectively. The work order materials expense for the year ended December 31, 2020 was \$35,419.

NOTE 10 – SPECIAL ASSESSMENT

In 2019, the Association levied a \$939,730 special assessment to pay for damages caused by Hurricane Michael. Revenues are recognized as expenses are incurred. As such, the Association recognized \$939,730 in special assessment income in 2020.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 – EXTRAORDINARY EVENT

The Association was impacted by Hurricane Michael in October 2018. The Association reached its wind deductible on its insurance policy, however insurance adjustments have not been finalized at this time.

In January 2021, The COVID-19 outbreak, a novel strain of the coronavirus, in the United States began. The outbreak has caused business disruption through mandated and voluntary closing of businesses in almost every state. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our members, employees and vendors. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12 – HURRICANE INSURANCE PROCEEDS

Revenues for hurricane proceeds are recognized as expenses are incurred. As such, the Association deferred revenues of \$0 as of December 31, 2020.

	<u>2018-2020</u>
Insurance proceeds	\$ 7,055,769
Hurricane related expenditures	<u>(7,055,769)</u>
Deferred hurricane insurance proceeds	\$ <u>-</u>

NOTE 13 - CONTINGENCIES

The Association's policy for windstorm in effect at December 31, 2020, carried a hurricane deductible of \$968,865 which represents 2% of the insured value of the buildings and pool, which are listed on the policies at \$48,443,289.

NOTE 14 - CONCENTRATION OF RISK

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2020, The Association's cash balances exceeded FDIC limits. The Association has not experienced any losses in such accounts.

NOTE 15 - SUBSEQUENT EVENTS

The Association has evaluated all other subsequent events through May 24, 2021, the date the Association's financial statements were available to be issued, and concluded no events or transactions occurred during the period requiring recognition or disclosure.

SUPPLEMENTARY INFORMATION

THE SUMMIT OWNERS' ASSOCIATION, INC.**STATEMENT OF OPERATING FUND SCHEDULE OF ACTUAL TO BUDGET COMPARISON – TIME-SHARE OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Time-share Actual	Time-share Budget	Variance Favorable (Unfavorable)
REVENUES			
Assessments	\$ 779,771	\$ 779,771	\$ -
Interest	1,159	1,000	159
Late charges/finance charges	26,315	-	26,315
Other income	4,499	5,050	(551)
Rental, hospitality & beach income	3,561	5,000	(1,439)
TOTAL REVENUES	<u>815,305</u>	<u>790,821</u>	<u>24,484</u>
EXPENSES			
Administrative	55,597	94,017	38,420
Assessments	168,504	168,504	-
Bad debt expense	165,303	220,000	54,697
Bank charges	949	300	(649)
Depreciation	8,276	-	(8,276)
Laundry	72,549	100,000	27,451
Maintenance and repairs	87,077	60,000	(27,077)
Miscellaneous	-	1,000	1,000
Property taxes	29,819	27,000	(2,819)
Salaries and wages	61,819	64,500	2,681
Utilities	48,080	55,500	7,420
TOTAL EXPENSES	<u>697,973</u>	<u>790,821</u>	<u>92,848</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 117,332</u>	<u>\$ -</u>	<u>\$ 117,332</u>

See independent auditor's report.

THE SUMMIT OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS -
ASSOCIATION (UNAUDITED)
DECEMBER 31, 2020

An independent engineer conducted a study in 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following table is based on the Board's revisions to the study and presents significant information about the components of common property. Actual expenditures, however, may vary from the estimated amounts and the variation may be material.

Component	Estimated Remaining Useful Lives (Years)	Estimated Replacement Cost	Replacement Fund Contract Liabilities 12/31/2020	2021 Required Funding
Building roofs	19	\$ 560,000	\$	\$ 9,115
Painting	6	500,000		11,416
Paving	2	240,000		-
Pool and spas	18	215,000		4,279
Water booster pump	19	33,000		1,910
Fire pump system	5	26,000		3,658
Emergency generator	2	44,000		9,536
Fire alarm system	4	444,000		77,795
Elevators	4	612,000		83,278
Walkways and carpet	1	30,000		-
Fitness room equipment	1	30,000		8,447
Luggage carts	1	25,000		463
Major building repairs	2	930,000		255,790
Total		\$ 3,689,000	\$ 1,988,550	\$ 482,475

See independent auditor's report.

THE SUMMIT OWNERS' ASSOCIATION, INC.**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS – TIME-SHARE (UNAUDITED)
DECEMBER 31, 2020**

An independent engineer conducted a study in 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following table is based on the Board's revisions to the study and presents significant information about the components of common property. Actual expenditures, however, may vary from the estimated amounts and the variation may be material.

<u>Component</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Replacement Cost</u>	<u>Replacement Fund Contract Liabilities 12/31/2020</u>	<u>2021 Required Funding</u>
Furnishings	5	\$ 165,000	\$	\$ 8,850
Carpet/Floor	7	24,000		-
Painting	4	80,000		199
Wall covering	7	10,000		1,099
Ceramic tile	11	80,000		1,764
Appliances	9	89,600		2,830
Package A/C units	9	125,000		7,682
Water heaters	1	25,000		3,368
Bathroom wall tile	8	28,800		887
Cabinets	7	67,200		4,735
Total		<u>\$ 694,600</u>	<u>\$ 440,745</u>	<u>\$ 31,414</u>

See independent auditor's report.