

THE SUMMIT OWNERS' ASSOCIATION, INC.

**FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Fund Balance	4-5
Statement of Cash Flows	6-7
Notes to Financial Statements	8-13
SUPPLEMENTARY INFORMATION	
Statement of Operating Fund Schedule of Actual to Budget Comparison - Time-share Operating Fund	14
Supplementary Information on Future Major Repairs and Replacements - Association	15
Supplementary Information on Future Major Repairs and Replacements - Time-share	16



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Summit Owners' Association, Inc., which comprise the balance sheet as of December 31, 2022, 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.

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, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Summit Owners' Association, Inc. 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 The Summit Owners' Association, Inc.'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 The Summit Owners' Association, Inc.'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 Summit Owners' Association, Inc.'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 pages 15 - 16 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.

Coastal Accounting

COASTAL ACCOUNTING OF NW FLORIDA, PA

Certified Public Accountants and Consultants

Destin, Florida

May 23, 2023

THE SUMMIT OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2022

	<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	\$ 1,152,180	\$ 2,575,228	\$ 340,125	\$ 535,142	\$ 4,602,675
Assessments receivable, net	42,595	-	215,386	-	257,981
Prepaid insurance	238,817	-	-	-	238,817
Inventory	35,085	-	-	-	35,085
Other assets	9,370	-	10,513	-	19,883
Interfund balances	(168,024)	168,024	82,872	(82,872)	-
Property and equipment, net	17,162	-	19,592	-	36,754
TOTAL ASSETS	<u>\$ 1,327,185</u>	<u>\$ 2,743,252</u>	<u>\$ 668,488</u>	<u>\$ 452,270</u>	<u>\$ 5,191,195</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 37,437	\$ -	\$ 12,075	\$ -	\$ 49,512
Accrued liabilities	1,024,157	-	-	-	1,024,157
Accrued payroll	130	-	-	-	130
Assessments received in advance	339,552	-	191,521	-	531,073
Contract liabilities (assessments received in advance - replacement fund)	-	2,743,252	-	452,270	3,195,522
Insurance loan payable	101,408	-	-	-	101,408
TOTAL LIABILITIES	1,502,684	2,743,252	203,596	452,270	4,901,802
FUND BALANCE	<u>(175,499)</u>	<u>-</u>	<u>464,892</u>	<u>-</u>	<u>289,393</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,327,185</u>	<u>\$ 2,743,252</u>	<u>\$ 668,488</u>	<u>\$ 452,270</u>	<u>\$ 5,191,195</u>

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, 2022

	<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	\$ 2,336,173	\$ 457,671	\$ 883,939	\$ 29,549	\$ (229,288)	\$ 3,478,044
Interest	1,323	9,763	1,256	580	-	12,922
Late charges/finance charges	4,884	-	222,763	-	-	227,647
Lease income	326,913	-	-	-	-	326,913
Other income	53,006	-	8,573	-	-	61,579
Rental, hospitality & beach income	146,827	-	-	-	-	146,827
Hurricane proceeds	2,600,000	-	-	-	-	2,600,000
Timeshare income	20,000	-	-	-	(20,000)	-
Vending and games	9,371	-	-	-	-	9,371
Work order labor income	47,666	-	-	-	-	47,666
Work order materials income	41,277	-	-	-	-	41,277
TOTAL REVENUES	\$ 5,587,440	\$ 467,434	\$ 1,116,531	\$ 30,129	\$ (249,288)	\$ 6,952,246
EXPENSES						
Administrative	\$ 66,066	\$ -	\$ 77,915	\$ -	\$ (20,000)	\$ 123,981
Advertising	616	-	-	-	-	616
Assessments	-	-	229,288	-	(229,288)	-
Bad debt expense	472	-	502,763	-	-	503,235
Bank charges	1,767	-	1,074	-	-	2,841
Beach service	5,529	-	-	-	-	5,529
Depreciation	4,307	-	8,796	-	-	13,103
Insurance	717,186	-	-	-	-	717,186

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, 2022

	Operating Fund	Replacement Fund	Time-share Operating Fund	Time-share Replacement Fund	Eliminations	Total
EXPENSES						
Hurricane repairs	2,324,558	-	-	-	-	2,324,558
Laundry	-	-	96,889	-	-	96,889
Legal	72,604	-	10,090	-	-	82,694
Maintenance and repairs	309,842	467,434	62,652	30,129	-	870,057
Meals and entertainment	686	-	-	-	-	686
Miscellaneous	4,435	-	140	-	-	4,575
Outside services	11,089	-	-	-	-	11,089
Property taxes	-	-	50,804	-	-	50,804
Salaries and wages	683,200	-	43,387	-	-	726,587
Security	363,605	-	-	-	-	363,605
Work order labor	43,103	-	-	-	-	43,103
Work order materials	41,396	-	-	-	-	41,396
Utilities	769,787	-	55,218	-	-	825,005
TOTAL EXPENSES	5,420,248	467,434	1,139,016	30,129	(249,288)	6,807,539
EXCESS OF REVENUES OVER (UNDER) EXPENSES	167,192	-	(22,485)	-	-	144,707
FUND BALANCE - BEGINNING	(496,302)	-	487,377	-	-	(8,925)
PRIOR PERIOD ADJUSTMENT	153,611	-	-	-	-	153,611
FUND BALANCE - ENDING	\$ (175,499)	\$ -	\$ 464,892	\$ -	\$ -	\$ 289,393

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, 2022

	<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	\$ 167,192	\$ -	\$ (22,485)	\$ -	\$ 144,707
Adjustments to reconcile excess of revenues over (under) expenses to net cash flows from operating activities:					
Bad debt expense	472	-	502,763	-	503,235
Depreciation	4,307	-	8,796	-	13,103
(Increase) decrease in assets					
Assessments receivable, net	5,005	-	(654,581)	-	(649,576)
Prepaid insurance	(27,164)	-	-	-	(27,164)
Inventory	(7,411)	-	-	-	(7,411)
Other assets	-	-	(10,513)	-	(10,513)
Increase (decrease) in liabilities					
Accounts payable	9,502	-	10,421	-	19,923
Accrued liabilities	1,023,099	-	-	-	1,023,099
Accrued payroll	(7,230)	-	-	-	(7,230)
Assessments received in advance	(9,788)	-	191,521	-	181,733
Contract liabilities (assessments received in advance - replacement fund)	-	454,475	-	4,403	458,878
<i>Net cash flows from operating activities</i>	<u>1,157,984</u>	<u>454,475</u>	<u>25,922</u>	<u>4,403</u>	<u>1,642,784</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	(6,142)	-	-	-	(6,142)
<i>Net cash flows from investing activities</i>	<u>(6,142)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,142)</u>

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, 2022

	<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	(728,378)	728,378	(100)	100	-
Insurance loan proceeds	637,293	-	-	-	637,293
Insurance loan payments	<u>(664,745)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(664,745)</u>
<i>Net cash flows from financing activities</i>	<u>(755,830)</u>	<u>728,378</u>	<u>(100)</u>	<u>100</u>	<u>(27,452)</u>
NET CHANGE IN CASH	396,012	1,182,853	25,822	4,503	1,609,190
CASH - BEGINNING OF YEAR	<u>756,168</u>	<u>1,392,375</u>	<u>314,303</u>	<u>530,639</u>	<u>2,993,485</u>
CASH - END OF YEAR	<u>\$ 1,152,180</u>	<u>\$ 2,575,228</u>	<u>\$ 340,125</u>	<u>\$ 535,142</u>	<u>\$ 4,602,675</u>

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

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

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, 2022, the Operating Fund and the Time-share Operating Fund had delinquent assessments of \$42,595 and \$1,891,457, respectively. It is the opinion of the board of directors that the Association will not be able to collect \$1,676,071 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. The balances of assessments receivable, net in the Operating Fund as of the beginning and end of the year are \$48,072 and \$42,595, respectively. The balances of assessments receivable, net in the Time-share Operating Fund as of the beginning and end of the year are \$63,568 and \$215,386, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$2,288,777 and \$2,743,252, 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 \$447,867 and \$452,270, 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, 2022. 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 2019.

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 5.5%.

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, 2022, the quarterly assessments per unit type in the Association were \$1,788 for one bedroom, \$1,894 for two bedrooms, and \$2,208 for three bedrooms. The annual assessments per unit week in the time-share were \$560 for one bedroom and \$594 for two bedrooms.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment is summarized as follows:

Property and equipment	<u>Total</u>
Furniture & equipment	\$ 478,697
Less accumulated depreciation	<u>(441,943)</u>
Property and equipment, net	<u>\$ 36,754</u>

Depreciation expense for the year ended December 31, 2022 was \$13,103.

NOTE 5 – 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 \$2,743,252 and \$452,270, 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, 2022, 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 (a new professional study was performed in February 2023). Accordingly, \$912,146 and \$33,952 of reserve funding has been included in the 2022 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:

Components	1/1/2022	Net Member Assessments	Interest/ Dividends/ Unrealized Gains (losses)	Major Repairs and Replacements	12/31/2022
Replacement fund					
Pooled Components	\$ 2,288,777	\$ 912,146	\$ 9,763	\$ 467,434	\$ 2,743,252
Time-share replacement fund					
pooled components	447,867	33,952	580	30,129	452,270

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 on the lines of credit was 9%. The lines of credit are collateralized by the assessments of the Association. As of December 31, 2022, 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. These leases were accounted for as operating leases, in accordance with ASU No. 2016-02 which was adopted by the Association as of January 1, 2022. For the lease of the snack shack the Association received \$17,609. For the use of the facilities, Resort Collection paid the Association \$163,669 and Student Breaks paid the Association \$15,635. For the exclusive right to the beach services Coastal Parasail paid the Association \$130,000. The total lease income of \$326,913 is reported on the accompanying statement of revenues, expenses and changes in fund balance.

NOTE 8 – RENTAL AND HOSPITALITY

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 \$7,485, \$82,212, \$15,026, and \$42,104, respectively. Time-share units owned by SOA are rented by the Association.

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, 2022 were \$47,666 and \$41,277, respectively. The work order labor and materials expenses for the year ended December 31, 2022 were \$43,103 and \$41,396.

NOTE 10 – HURRICANE MICHAEL CLAIM

In 2018, the Association filed an insurance claim due to damage to its common property caused by Hurricane Michael. As of December 31, 2022, the Association has received insurance proceeds totaling \$10,320,710, of which \$2,600,000 was received in 2022 and reported on the accompanying statement of revenues, expenses and changes in fund balance. The claim was finalized in 2022.

As of December 31, 2021, the Association had recorded \$7,720,710 of hurricane repairs expenses. During the year ended December 31, 2022, the Association recorded additional estimated hurricane repairs expenses totaling \$2,324,558, of which \$1,023,029 was accrued at December 31, 2022 and included in accrued liabilities on the accompanying balance sheet. The exact amount of remaining hurricane repairs expenses is unknown at this time.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 11 - CONTINGENCIES

The Association's policy for windstorm in effect at December 31, 2022, carried a hurricane deductible of \$1,573,616 which represents 3% of the insured value of the buildings and pool, which are listed on the policies at \$52,453,875.

NOTE 12 - CONCENTRATION OF RISK

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2022, the Association's cash balances exceeded FDIC limits. The Association has not experienced any losses in such accounts.

NOTE 13 – COMMITMENT

In August 2021, the Association entered into a contract with a total contract sum of \$1,320,000 for the modernization of the Association elevators, of which approximately \$220,000 was remaining as of December 31, 2022. In January 2023, there were change orders of \$98,790 bringing the total contract sum to \$1,418,790. The Association expects the project to be completed in 2023.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in overstatement of amounts previously reported for deferred special assessment revenue as of December 31, 2021 were discovered by management of the Association. Accordingly, an adjustment of \$153,611 was made to increase operating fund balance as of the beginning of the year ended December 31, 2022.

NOTE 15 - SUBSEQUENT EVENTS

In January 2023, the Association entered into a contract for internet service and wi-fi system upgrade with an upfront cost of \$236,445 for equipment and installation and a 96 month contract at \$18,400 per month.

The Association has evaluated all other subsequent events through May 23, 2023, the date the Association's financial statements were available to be issued, and concluded no other 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, 2022

	Time-share Actual	Time-share Budget	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Assessments	\$ 883,939	\$ 882,265	\$ 1,674
Interest	1,256	-	1,256
Late charges/finance charges	222,763	-	222,763
Other income	8,573	-	8,573
TOTAL REVENUES	<u>1,116,531</u>	<u>882,265</u>	<u>234,266</u>
EXPENSES			
Administrative	77,915	147,157	69,242
Assessments	229,288	228,288	(1,000)
Bad debt expense	502,763	280,000	(222,763)
Bank charges	1,074	300	(774)
Depreciation	8,796	-	(8,796)
Laundry	96,889	80,000	(16,889)
Interest	10,090	-	(10,090)
Maintenance and repairs	62,652	40,000	(22,652)
Miscellaneous	140	500	360
Property taxes	50,804	19,000	(31,804)
Salaries and wages	43,387	42,020	(1,367)
Utilities	55,218	45,000	(10,218)
TOTAL EXPENSES	<u>1,139,016</u>	<u>882,265</u>	<u>(256,751)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ (22,485)</u>	<u>\$ -</u>	<u>\$ (22,485)</u>

THE SUMMIT OWNERS' ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS -
 ASSOCIATION (UNAUDITED)
 DECEMBER 31, 2022

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 12/31/2022	2023 Required Funding
Roof	18	\$ 560,000	\$	\$
Painting	6	500,000		
Paving/tennis courts	3	240,000		
Pool and spa	17	215,000		
Water booster pump	18	33,000		
Fire pump system	4	26,000		
Emergency generator	1	44,000		
Fire alarm system	25	444,000		
Elevators	3	700,000		
Walkways and carpet	1	30,000		
Fitness room equipment	1	30,000		
Luggage carts	1	25,000		
Major building repairs	1	930,000		
Total		\$ 3,777,000	\$ 2,743,252	\$ 565,402

THE SUMMIT OWNERS' ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS – TIME-SHARE (UNAUDITED)

DECEMBER 31, 2022

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 12/31/2022</u>	<u>2023 Required Funding</u>
Furnishings	3	\$ 165,000	\$	\$
Carpet/Floor	5	24,000		
Painting	2	80,000		
Wall covering	5	10,000		
Ceramic tile	9	80,000		
Appliances	7	89,600		
Package A/C units	7	125,000		
Water heaters	1	25,000		
Bathroom wall tile	6	28,800		
Cabinets	5	67,200		
Total		<u>\$ 694,600</u>	<u>\$ 452,270</u>	<u>\$ 58,555</u>