

**THE SUMMIT OWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS &  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**

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## 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, 2023, 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, 2023, 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

April 3, 2024

**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$ 358,877	\$ 1,488,103	\$ 202,761	\$ 321,582	\$ 2,371,323
Certificates of deposit	-	746,511	-	259,912	1,006,423
Assessments receivable, net	73,726	-	223,399	-	297,125
Prepaid insurance	407,870	-	-	-	407,870
Inventory	43,416	-	-	-	43,416
Other assets	54,293	-	773	-	55,066
Interfund balances	(334,825)	334,825	82,873	(82,873)	-
Property and equipment, net	15,972	-	10,796	-	26,768
<b>TOTAL ASSETS</b>	<b>\$ 619,329</b>	<b>\$ 2,569,439</b>	<b>\$ 520,602</b>	<b>\$ 498,621</b>	<b>\$ 4,207,991</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 43,112	\$ 71,507	\$ 10,440	\$ -	\$ 125,059
Accrued liabilities	797	21,706	-	-	22,503
Accrued payroll	351	-	-	-	351
Income taxes payable	878	-	-	-	878
Assessments received in advance	164,688	-	72,808	-	237,496
Contract liabilities (assessments received in advance - replacement fund)	-	2,476,226	-	498,621	2,974,847
Insurance loan payable	378,312	-	-	-	378,312
<b>TOTAL LIABILITIES</b>	<b>588,138</b>	<b>2,569,439</b>	<b>83,248</b>	<b>498,621</b>	<b>3,739,446</b>
<b>FUND BALANCE</b>	<b>31,191</b>	<b>-</b>	<b>437,354</b>	<b>-</b>	<b>468,545</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 619,329</b>	<b>\$ 2,569,439</b>	<b>\$ 520,602</b>	<b>\$ 498,621</b>	<b>\$ 4,207,991</b>

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, 2023**

	<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>
<b>REVENUES</b>						
Assessments	\$ 2,920,886	\$ 832,428	\$ 1,015,422	\$ 12,204	\$ (246,216)	\$ 4,534,724
Interest	11,109	66,292	14,411	10,675	-	102,487
Late charges/finance charges	13,709	-	237,905	-	-	251,614
Lease income	329,935	-	-	-	-	329,935
Other income	44,767	-	2,326	-	-	47,093
Rental, hospitality & beach income	300,138	-	-	-	-	300,138
Timeshare income	20,000	-	-	-	(20,000)	-
Vending and games	10,736	-	-	-	-	10,736
Work order labor income	57,248	-	-	-	-	57,248
Work order materials income	46,103	-	-	-	-	46,103
<b>TOTAL REVENUES</b>	<b>\$ 3,754,631</b>	<b>\$ 898,720</b>	<b>\$ 1,270,064</b>	<b>\$ 22,879</b>	<b>\$ (266,216)</b>	<b>\$ 5,680,078</b>
<b>EXPENSES</b>						
Administrative	\$ 60,629	\$ -	\$ 55,013	\$ -	\$ (20,000)	\$ 95,642
Advertising	414	-	-	-	-	414
Assessments	-	-	246,216	-	(246,216)	-
Bad debt provision	196	-	571,830	-	-	572,026
Bank charges	9,723	-	275	-	-	9,998
Beach service	767	-	-	-	-	767
Depreciation	5,562	-	8,796	-	-	14,358
Insurance	1,072,102	-	-	-	-	1,072,102
Income taxes	878	-	-	-	-	878

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

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**THE SUMMIT OWNERS' ASSOCIATION, INC.**

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

FOR THE YEAR ENDED DECEMBER 31, 2023

	<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>
<b>EXPENSES</b>						
Hurricane repairs	11,025	-	-	-	-	11,025
Laundry	-	-	125,743	-	-	125,743
Legal	19,019	-	68,970	-	-	87,989
Maintenance and repairs	342,966	898,720	74,152	22,879	-	1,338,717
Meals and entertainment	533	-	-	-	-	533
Miscellaneous	746	-	1,668	-	-	2,414
Outside services	9,014	-	-	-	-	9,014
Property taxes	-	-	43,602	-	-	43,602
Salaries and wages	785,298	-	46,313	-	-	831,611
Security	374,084	-	-	-	-	374,084
Work order labor	33,124	-	-	-	-	33,124
Work order materials	26,482	-	-	-	-	26,482
Utilities	795,379	-	55,024	-	-	850,403
<b>TOTAL EXPENSES</b>	<u>3,547,941</u>	<u>898,720</u>	<u>1,297,602</u>	<u>22,879</u>	<u>(266,216)</u>	<u>5,500,926</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	206,690	-	(27,538)	-	-	179,152
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	<u>(175,499)</u>	<u>-</u>	<u>464,892</u>	<u>-</u>	<u>-</u>	<u>289,393</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 31,191</u>	<u>\$ -</u>	<u>\$ 437,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,545</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, 2023**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess of revenues over (under) expenses	\$ 206,690	\$ -	\$ (27,538)	\$ -	\$ 179,152
Adjustments to reconcile excess of revenues over (under) expenses to net cash flows from operating activities:					
Bad debt expense	196	-	571,830	-	572,026
Depreciation	5,562	-	8,796	-	14,358
(Increase) decrease in assets					
Assessments receivable, net	(31,327)	-	(579,843)	-	(611,170)
Prepaid insurance	(169,053)	-	-	-	(169,053)
Inventory	(8,331)	-	-	-	(8,331)
Other assets	(44,923)	-	9,740	-	(35,183)
Increase (decrease) in liabilities					
Accounts payable	5,675	71,507	(1,635)	-	75,547
Accrued liabilities	(1,023,360)	21,706	-	-	(1,001,654)
Accrued payroll	221	-	-	-	221
Income taxes payable	878	-	-	-	878
Assessments received in advance	(174,864)	-	(118,713)	-	(293,577)
Contract liabilities (assessments received in advance - replacement fund)	-	(267,026)	-	46,351	(220,675)
<b><i>Net cash flows from operating activities</i></b>	<b><u>(1,232,636)</u></b>	<b><u>(173,813)</u></b>	<b><u>(137,363)</u></b>	<b><u>46,351</u></b>	<b><u>(1,497,461)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of certificates of deposit	-	(746,511)	-	(259,912)	(1,006,423)
Purchase of equipment	(4,372)	-	-	-	(4,372)
<b><i>Net cash flows from investing activities</i></b>	<b><u>(4,372)</u></b>	<b><u>(746,511)</u></b>	<b><u>-</u></b>	<b><u>(259,912)</u></b>	<b><u>(1,010,795)</u></b>

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

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**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Time-share Operating Fund</u>	<u>Time-share Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interfund borrowings	166,801	(166,801)	(1)	1	-
Insurance loan proceeds	1,040,358	-	-	-	1,040,358
Insurance loan payments	(763,454)	-	-	-	(763,454)
<i>Net cash flows from financing activities</i>	<u>443,705</u>	<u>(166,801)</u>	<u>(1)</u>	<u>1</u>	<u>276,904</u>
<b>NET CHANGE IN CASH</b>	(793,303)	(1,087,125)	(137,364)	(213,560)	(2,231,352)
<b>CASH - BEGINNING OF YEAR</b>	<u>1,152,180</u>	<u>2,575,228</u>	<u>340,125</u>	<u>535,142</u>	<u>4,602,675</u>
<b>CASH - END OF YEAR</b>	<u>\$ 358,877</u>	<u>\$ 1,488,103</u>	<u>\$ 202,761</u>	<u>\$ 321,582</u>	<u>\$ 2,371,323</u>

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

**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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**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 and Allowance for Credit Losses***

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 the properties of owners whose assessments are thirty days or more delinquent. Any excess assessments are retained by the Association for use in the succeeding year. The balances of assessments receivable, net in the operating fund as of the beginning and end of the year are \$42,595 and \$73,726, respectively. The balances of assessments receivable, net in the time-share operating fund as of the beginning and end of the year are \$215,386 and \$223,399, respectively.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. At December 31, 2023, the allowance for credit losses totaled \$1,515,412 for timeshare receivables.

**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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**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 \$2,743,252 and \$2,476,226, 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 \$452,270 and \$498,621, 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, 2023. 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 2020.

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%.

***Accounting Standards Adopted in 2023***

On January 1, 2023, the Association adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only. Please refer to the member assessments and allowance for credit losses policy note.

**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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**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, 2023, the quarterly assessments per unit type in the Association were \$1,920 for one bedroom, \$2,034 for two bedrooms, and \$2,372 for three bedrooms. The annual assessments per unit week in the time-share were \$656 for one bedroom and \$696 for two bedrooms.

**NOTE 4 - PROPERTY AND EQUIPMENT, NET**

Property and equipment is summarized as follows:

<b>Property and equipment</b>	<u>Total</u>
Furniture & equipment	\$ 449,883
Less accumulated depreciation	<u>(423,115)</u>
<b>Property and equipment, net</b>	<u><u>\$ 26,768</u></u>

Depreciation expense for the year ended December 31, 2023 was \$14,358.

**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 \$2,569,439 and \$498,621, 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, 2023, are held in separate bank accounts and are generally not available for normal operating expenditures.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. The Association is funding reserves based on a 2023 professional reserve study as updated by the Board of Directors. Accordingly, \$565,402 and \$58,555 of reserve funding has been included in the 2023 replacement fund and time-share replacement fund budgets. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

Actual expenditures may vary from the estimated amounts and the variations may be significant. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The Association accumulates interest to be allocated to components based on future needs.

As of December 31, 2023, the operating fund owed \$334,825 to the replacement fund and the time-share operating fund owed \$82,873 to the time-share replacement fund. These interfund receivables and payables are reported as interfund balance on the accompanying balance sheet.

**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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**NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)**

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

Components	1/1/2023	Net Member Assessments	Interest/ Dividends	Major Repairs and Replacements	12/31/2023
Replacement fund					
Pooled Components	\$ 2,743,252	\$ 565,402	\$ 66,292	\$ 898,720	\$ 2,476,226
Time-share					
replacement fund					
pooled components	452,270	58,555	10,675	22,879	498,621

**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, 2023 on the lines of credit was 10%. The lines of credit are collateralized by the assessments of the Association and mature on February 2, 2025. As of December 31, 2023, 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, which are accounted for as operating leases. For the lease of the snack shack the Association received \$17,558. For the use of the facilities, Resort Collection paid the Association \$157,717 and Student Breaks paid the Association \$14,660. For the exclusive right to the beach services Coastal Parasail paid the Association \$140,000. The total lease income of \$329,935 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 \$1,329, \$240,329, \$12,686, and \$45,794, 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, 2023 were \$57,248 and \$46,103, respectively. The work order labor and materials expenses for the year ended December 31, 2023 were \$33,124 and \$26,482.

**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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**NOTE 10 - CONTINGENCIES**

The Association's policy for windstorm in effect at December 31, 2023, carried a hurricane deductible of \$2,541,734 which represents 5% of the insured value of the buildings and pool, which are listed on the policies at \$50,834,675.

**NOTE 11 - CONCENTRATION OF RISK**

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2023, the Association's cash balances exceeded FDIC limits. The Association has not experienced any losses in such accounts.

**NOTE 12 – COMMITMENT**

In 2023, the Association entered into a contract with a total contract sum of \$448,826 for roof repairs, of which approximately \$232,000 was remaining as of December 31, 2023. The Association expects the project to be completed in 2024.

**NOTE 13 - SUBSEQUENT EVENTS**

The Association has evaluated all other subsequent events through April 3, 2024, 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, 2023**

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	Time-share Actual	Time-share Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Assessments	\$ 1,015,422	\$ 1,014,773	\$ 649
Interest	14,411	-	14,411
Late charges/finance charges	237,905	-	237,905
Other income	2,326	-	2,326
<b>TOTAL REVENUES</b>	<u>1,270,064</u>	<u>1,014,773</u>	<u>255,291</u>
<b>EXPENSES</b>			
Administrative	55,013	50,225	(4,788)
Assessments	246,216	246,216	-
Bad debt provision	571,830	333,000	(238,830)
Bank charges	275	1,000	725
Depreciation	8,796	-	(8,796)
Laundry	125,743	113,000	(12,743)
Legal	68,970	40,000	(28,970)
Outside services	-	2,500	2,500
Maintenance and repairs	74,152	91,000	16,848
Miscellaneous	1,668	300	(1,368)
Property taxes	43,602	45,932	2,330
Salaries and wages	46,313	41,600	(4,713)
Utilities	55,024	50,000	(5,024)
<b>TOTAL EXPENSES</b>	<u>1,297,602</u>	<u>1,014,773</u>	<u>(282,829)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>			
	<u>\$ (27,538)</u>	<u>\$ -</u>	<u>\$ (27,538)</u>

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**THE SUMMIT OWNERS' ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS -**  
**ASSOCIATION (UNAUDITED)**  
**DECEMBER 31, 2023**

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An independent engineer conducted a study in 2023 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 12/31/2023	2024 Required Funding
Roof	17	\$ 560,000		
Painting	5	500,000		
Paving/tennis courts	2	240,000		
Pool and spa	16	215,000		
Water booster pump	17	33,000		
Fire pump system	3	26,000		
Emergency generator	1	44,000		
Fire alarm system	24	444,000		
Elevators	2	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		
<b>Total</b>		\$ 3,777,000	\$ 2,476,226	\$ 634,920

**THE SUMMIT OWNERS' ASSOCIATION, INC.****SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS – TIME-SHARE (UNAUDITED)**DECEMBER 31, 2023

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An independent engineer conducted a study in 2023 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 12/31/2023</u>	<u>2024 Required Funding</u>
Furnishings	2	\$ 165,000		
Carpet/Floor	4	24,000		
Painting	1	80,000		
Wall covering	4	10,000		
Ceramic tile	8	80,000		
Appliances	6	89,600		
Package A/C units	6	125,000		
Water heaters	1	25,000		
Bathroom wall tile	5	28,800		
Cabinets	4	67,200		
<b>Total</b>		<u>\$ 694,600</u>	<u>\$ 498,621</u>	<u>\$ 32,716</u>