

THE SUMMIT OWNERS' ASSOCIATION, INC.

**FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2024

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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, 2024, 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, 2024, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of operating fund schedule of actual to budget comparison - time-share operating fund 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 on pages 16-17 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 8, 2024

THE SUMMIT OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2024

	<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	\$ 492,539	\$ 1,806,209	\$ 176,590	\$ 312,043	\$ 2,787,381
Certificates of deposit	-	766,652	-	272,770	1,039,422
Assessments receivable, net	157,814	-	159,499	-	317,313
Prepaid insurance	408,193	-	-	-	408,193
Inventory	40,906	-	-	-	40,906
Other assets	9,370	-	-	-	9,370
Interfund balances	(209,972)	209,972	82,871	(82,871)	-
Property and equipment, net	18,545	-	2,000	-	20,545
TOTAL ASSETS	<u>\$ 917,395</u>	<u>\$ 2,782,833</u>	<u>\$ 420,960</u>	<u>\$ 501,942</u>	<u>\$ 4,623,130</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 27,366	\$ -	\$ 12,758	\$ -	\$ 40,124
Accrued liabilities	206	-	-	-	206
Accrued payroll	173	-	-	-	173
Assessments received in advance	153,339	-	57,107	-	210,446
Contract liabilities (assessments received in advance - replacement fund)	-	2,782,833	-	501,942	3,284,775
Insurance loan payable	347,463	-	-	-	347,463
TOTAL LIABILITIES	528,547	2,782,833	69,865	501,942	3,883,187
FUND BALANCE	<u>388,848</u>	<u>-</u>	<u>351,095</u>	<u>-</u>	<u>739,943</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 917,395</u>	<u>\$ 2,782,833</u>	<u>\$ 420,960</u>	<u>\$ 501,942</u>	<u>\$ 4,623,130</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, 2024

	<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, net	\$ 3,313,068	\$ 328,313	\$ 640,416	\$ 29,395	\$ (278,664)	\$ 4,032,528
Interest	16,703	100,017	15,464	14,306	-	146,490
Late charges/finance charges	22,581	-	25,548	-	-	48,129
Lease income	284,260	-	-	-	-	284,260
Other income	21,488	-	1,523	-	-	23,011
Rental, hospitality & beach income	367,192	-	-	-	-	367,192
Timeshare income	31,023	-	-	-	(31,023)	-
Vending and games	9,313	-	-	-	-	9,313
Work order labor income	111,298	-	-	-	(90,203)	21,095
Work order materials income	41,431	-	-	-	-	41,431
TOTAL REVENUES	\$ 4,218,357	\$ 428,330	\$ 682,951	\$ 43,701	\$ (399,890)	\$ 4,973,449
EXPENSES						
Administrative	\$ 61,322	\$ -	\$ 67,148	\$ -	\$ (31,023)	\$ 97,447
Advertising	4,955	-	-	-	-	4,955
Assessments	-	-	278,664	-	(278,664)	-
Provision for credit losses	-	-	2,061	-	-	2,061
Bank charges	10,828	-	271	-	-	11,099
Beach service	641	-	-	-	-	641
Depreciation	6,214	-	8,796	-	-	15,010
Insurance	1,220,279	-	-	-	-	1,220,279

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, 2024

	Operating Fund	Replacement Fund	Time-share Operating Fund	Time-share Replacement Fund	Eliminations	Total
EXPENSES						
Laundry	22,937	-	121,938	-	-	144,875
Legal	29,324	-	41,581	-	-	70,905
Maintenance and repairs	590,977	428,330	117,850	43,701	(90,203)	1,090,655
Meals and entertainment	7,838	-	-	-	-	7,838
Miscellaneous	542	-	-	-	-	542
Outside services	10,434	-	-	-	-	10,434
Property taxes	-	-	37,039	-	-	37,039
Salaries and wages	744,034	-	47,999	-	-	792,033
Security	348,616	-	-	-	-	348,616
Work order materials	26,061	-	-	-	-	26,061
Utilities	775,698	-	45,863	-	-	821,561
TOTAL EXPENSES	<u>3,860,700</u>	<u>428,330</u>	<u>769,210</u>	<u>43,701</u>	<u>(399,890)</u>	<u>4,702,051</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	357,657	-	(86,259)	-	-	271,398
FUND BALANCE - BEGINNING	<u>31,191</u>	<u>-</u>	<u>437,354</u>	<u>-</u>	<u>-</u>	<u>468,545</u>
FUND BALANCE - ENDING	<u>\$ 388,848</u>	<u>\$ -</u>	<u>\$ 351,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 739,943</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, 2024

	<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	\$ 357,657	\$ -	\$ (86,259)	\$ -	\$ 271,398
Adjustments to reconcile excess of revenues over (under) expenses to net cash flows from operating activities:					
Bad debt expense	-	-	2,061	-	2,061
Depreciation	6,214	-	8,796	-	15,010
(Increase) decrease in assets					
Assessments receivable, net	(84,088)	-	61,839	-	(22,249)
Prepaid insurance	(323)	-	-	-	(323)
Inventory	2,510	-	-	-	2,510
Other assets	44,923	-	773	-	45,696
Increase (decrease) in liabilities					
Accounts payable	(15,746)	(71,507)	2,318	-	(84,935)
Accrued liabilities	(591)	(21,706)	-	-	(22,297)
Accrued payroll	(178)	-	-	-	(178)
Income taxes payable	(878)	-	-	-	(878)
Assessments received in advance	(11,349)	-	(15,701)	-	(27,050)
Contract liabilities (assessments received in advance - replacement fund)	-	306,607	-	3,321	309,928
Net cash flows from operating activities	<u>298,151</u>	<u>213,394</u>	<u>(26,173)</u>	<u>3,321</u>	<u>488,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of certificates of deposit	-	(20,141)	-	(12,858)	(32,999)
Purchase of equipment	(8,787)	-	-	-	(8,787)
Net cash flows from investing activities	<u>(8,787)</u>	<u>(20,141)</u>	<u>-</u>	<u>(12,858)</u>	<u>(41,786)</u>

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

THE SUMMIT OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024

	<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	(124,853)	124,853	2	(2)	-
Insurance loan proceeds	1,040,358	-	-	-	1,040,358
Insurance loan payments	<u>(1,071,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,071,207)</u>
<i>Net cash flows from financing activities</i>	<u>(155,702)</u>	<u>124,853</u>	<u>2</u>	<u>(2)</u>	<u>(30,849)</u>
NET CHANGE IN CASH	133,662	318,106	(26,171)	(9,539)	416,058
CASH - BEGINNING OF YEAR	<u>358,877</u>	<u>1,488,103</u>	<u>202,761</u>	<u>321,582</u>	<u>2,371,323</u>
CASH - END OF YEAR	<u>\$ 492,539</u>	<u>\$ 1,806,209</u>	<u>\$ 176,590</u>	<u>\$ 312,043</u>	<u>\$ 2,787,381</u>

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

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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 \$73,726 and \$157,814, respectively. The balances of assessments receivable, net in the time-share operating fund as of the beginning and end of the year are \$223,399 and \$159,499, 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, 2024, the allowance for credit losses totaled \$646,531 for timeshare receivables.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

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.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the balance sheet. These items will be expensed over the applicable usage period.

Inventory

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

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.

Interfund Balances

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

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.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments Received in Advance

Assessments received in advance consists of amounts received which are applicable to 2025 assessments. The balances of assessments received in advance in the operating fund as of the beginning and end of the year are \$164,688 and \$153,339, respectively. The balances of assessments received in advance in the time-share operating fund as of the beginning and end of the year are \$72,808 and \$57,107, respectively.

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 \$2,476,226 and \$2,782,833, 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 \$498,621 and \$501,942, 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, 2024. 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 2021.

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%.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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, 2024, the quarterly assessments per unit type in the Association were \$2,173 for one bedroom, \$2,303 for two bedrooms, and \$2,685 for three bedrooms. The annual assessments per unit week in the time-share were \$673 for one bedroom and \$713 for two bedrooms. The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the statement of revenue, expenses and changes in fund balance:

<i>For the year ended December 31, 2024</i>	Operating Fund	Replacement Fund	Time-share Operating Fund	Time-share Replacement Fund	Total
Budgeted regular assessments	\$ 3,313,068	\$ 634,920	\$ 1,068,010	\$ 32,716	\$ 5,048,714
Less dues for Association-owned weeks	-	-	(354,494)	-	(354,494)
Less anticipated uncollectable amounts	-	-	(73,100)	-	(73,100)
Less additions to contract liabilities	-	(634,920)	-	(32,716)	(667,636)
Add releases from contract liabilities	-	328,313	-	29,395	357,708
Total regular assessments	3,313,068	328,313	640,416	29,395	4,311,192
Eliminations: dues from time-share units	(278,664)	-	-	-	(278,664)
Total regular assessments after eliminations	\$ 3,034,404	\$ 328,313	\$ 640,416	\$ 29,395	\$ 4,032,528

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment is summarized as follows:

Property and equipment	Total
Furniture & equipment	\$ 449,874
Less accumulated depreciation	(429,329)
Property and equipment, net	\$ 20,545

Depreciation expense for the year ended December 31, 2024 was \$15,010.

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 \$2,782,833 and \$501,942, 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, 2024, are held in separate bank accounts and are generally not available for normal operating expenditures.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

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, \$634,920 and \$32,716 of reserve funding has been included in the 2024 replacement fund and time-share replacement fund budgets.

In May 2022, the Florida legislature passed Senate Bill 4D regarding condominium building safety laws. Among other things, the new law mandates “milestone inspections” of condominium buildings. The requirements for the inspection vary based on the characteristics of the structure. The new law also requires a “structural integrity reserve study” (SIRS) to be performed at least every ten years and members cannot opt out of the mandatory funding of reserves for structural integrity components, regardless of a membership vote. Associations existing prior to July 1, 2022 that are controlled by the unit owners had until December 31, 2024 to complete their initial SIRS. The Association completed its SIRS in January 2025. The supplemental information on pages 16-17 was derived from the 2024 SIRS and 2023 study for non-structural items.

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.

Florida Statutes section 718.112(2)(f)3 states that reserves accumulated for capital expenditures and deferred maintenance “shall be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote [of the members] at a duly called meeting of the association.” As of December 31, 2024, the operating fund owed \$209,972 to the replacement fund and the time-share replacement fund owed \$82,871 to the time-share operating fund. These interfund receivables and payables are reported as interfund balance on the accompanying balance sheet.

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

Components	1/1/2024	Net Member Assessments	Interest/ Dividends	Major Repairs and Replacements	12/31/2024
Replacement fund					
Pooled Components	\$ 2,476,226	\$ 634,920	\$ 100,017	\$ 428,330	\$2,782,833
Time-share					
replacement fund					
pooled components	498,621	32,716	14,306	43,701	501,942

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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, 2024 on the lines of credit was 9%. The lines of credit are collateralized by the assessments of the Association and matured on February 2, 2025. There was no outstanding balance on the lines of credit at December 31, 2024.

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 \$18,085. For the use of the facilities, Resort Collection paid the Association \$115,813 and Student Breaks paid the Association \$10,362. For the exclusive right to the beach services Coastal Parasail paid the Association \$140,000. The total lease income of \$284,260 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 \$1,108, \$306,323, \$8,557, and \$67,763, respectively, which are reported net of sales tax as rental, hospitality & beach income on the accompanying statement of revenues, expenses and changes in fund balance. 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, 2024 were \$111,298 and \$41,431, respectively. The work order labor and materials expenses for the year ended December 31, 2024 were \$0 and \$26,061, respectively.

NOTE 10 - CONTINGENCIES

The Association's policy for windstorm in effect at December 31, 2024, 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, 2024, the Association's cash balances exceeded FDIC limits. The Association has not experienced any losses in such accounts.

THE SUMMIT OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 12 – CERTIFICATES OF DEPOSIT

At December 31, 2024, the Association had \$766,652 and \$272,770 of replacement fund and time-share replacement fund monies, respectively, in certificates of deposit at financial institutions. The carrying value of the certificates of deposit are based on cost plus accrued interest, which approximates fair value.

NOTE 13 – COMMITMENT

In 2024, the Association entered into a contract with a total contract sum of \$287,632 for the east side wall replacement project, of which approximately \$210,000 was remaining as of December 31, 2024. The Association expects the project to be completed in 2025.

NOTE 14 - SUBSEQUENT EVENTS

The Association has evaluated all other subsequent events through May 8, 2025, 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, 2024**

	Time-share Actual	Time-share Budget	Variance Favorable (Unfavorable)
REVENUES			
Assessments, net	\$ 640,416	\$ 740,062	\$ (99,646)
Interest	15,464	25,000	(9,536)
Late charges/finance charges	25,548	-	25,548
Other income	1,523	2,278	(755)
TOTAL REVENUES	<u>682,951</u>	<u>767,340</u>	<u>(84,389)</u>
EXPENSES			
Administrative	67,148	68,067	919
Assessments	278,664	278,713	49
Provision for credit losses	2,061	-	(2,061)
Bank charges	271	1,000	729
Depreciation	8,796	-	(8,796)
Laundry	121,938	125,000	3,062
Legal	41,581	60,000	18,419
Outside services	-	2,500	2,500
Maintenance and repairs	117,850	80,000	(37,850)
Miscellaneous	-	300	300
Property taxes	37,039	51,000	13,961
Salaries and wages	47,999	45,760	(2,239)
Utilities	45,863	55,000	9,137
TOTAL EXPENSES	<u>769,210</u>	<u>767,340</u>	<u>(1,870)</u>
EXCESS OF REVENUES			
OVER (UNDER) EXPENSES	\$ <u>(86,259)</u>	\$ <u>-</u>	\$ <u>(86,259)</u>

THE SUMMIT OWNERS' ASSOCIATION, INC.**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS -
ASSOCIATION (UNAUDITED)****DECEMBER 31, 2024**

Independent engineers conducted a structural reserves study in 2025 and a traditional reserves study in 2023 to estimate the remaining useful lives and the replacement costs of the components of common property. 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 12/31/2024	2025 Required Funding
<i>Structural items</i>				
Roof	17	\$ 932,170		
Painting	5	1,597,542		
Common area windows/doors	8	20,000		
Plumbing systems	5	20,000		
Electrical systems	5	20,000		
Water booster	15	40,584		
Fire protection system-pump	6	105,322		
Emergency generator	1	100,000		
Fire protection system-alarm	22	579,210		
Major building repairs	1	1,100,000		
Total structural items		<u>4,514,828</u>	\$ 1,670,411	\$ 748,836
<i>Common Area Amenities</i>				
Pool and spa	16	215,000		
Elevators	29	946,800		
Walkways	2	100,000		
Fitness room	5	40,000		
Luggage carts	1	25,000		
Internet/Wifi infrastructure	4	250,000		
Paving/tennis courts	2	288,800		
Total common area amenities		<u>1,865,600</u>	<u>1,112,422</u>	<u>138,915</u>
Total		<u>\$ 6,380,428</u>	<u>\$ 2,782,833</u>	<u>\$ 887,751</u>

THE SUMMIT OWNERS' ASSOCIATION, INC.**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS – TIME-SHARE (UNAUDITED)****DECEMBER 31, 2024**

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 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 12/31/2024	2025 Required Funding
Furnishings	2	\$ 180,000		
Painting	4	80,000		
Wall covering-décor	3	11,200		
Flooring-ceramic tile	7	89,600		
Appliances	5	96,000		
Package A/C units	5	160,000		
Water heaters	3	38,400		
Bathroom wall tile	2	64,000		
Cabinets/countertops	10	256,000		
Total		\$ 975,200	\$ 501,942	\$ 107,987