

**EDGEWATER BEACH RESORT
TIMESHARE CONDOMINIUM
ASSOCIATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
Edgewater Beach Resort Timeshare
Condominium Association
Hyannis, Massachusetts

We have reviewed the accompanying financial statements of Edgewater Beach Resort Timeshare Condominium Association, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 16 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

DePaola, Bagg & Associates, P.C.

Hyannis, Massachusetts
September 13, 2021

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2020**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 399,028	\$ 225,787	\$ 624,815
Certificates of deposit	-	-	-
Accounts receivable - members (net of allowance for doubtful accounts of \$2,343,916)	1,020,003	178,554	1,198,557
Accounts receivable - other	20,162	-	20,162
Prepaid expenses	61,428	-	61,428
Inventory	565	-	565
Interfund balances	<u>(221,395)</u>	<u>221,395</u>	<u>-</u>
TOTAL ASSETS	\$ <u>1,279,791</u>	\$ <u>625,736</u>	\$ <u>1,905,527</u>
 LIABILITIES AND FUND BALANCES:			
Accounts payable	\$ 322,817	\$ -	\$ 322,817
Accrued payroll	7,157	-	7,157
Accrued taxes	1,240	-	1,240
Other current liabilities	78,433	-	78,433
SBA Loan	123,233	-	123,233
Liability for insurance claims	-	-	-
Unearned assessments	<u>2,106,772</u>	<u>357,756</u>	<u>2,464,528</u>
TOTAL LIABILITIES	2,639,652	357,756	2,997,408
Fund balances	<u>(1,359,861)</u>	<u>267,980</u>	<u>(1,091,881)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,279,791</u>	\$ <u>625,736</u>	\$ <u>1,905,527</u>

See accompanying notes and independent accountant's review report

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2019**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 442,540	\$ 152,796	\$ 595,336
Certificates of deposit	-	350,000	350,000
Accounts receivable - members (net of allowance for doubtful accounts of \$2,217,593)	1,304,027	191,701	1,495,728
Accounts receivable - other	7,234	480,000	487,234
Prepaid expenses	52,704	-	52,704
Inventory	459	-	459
Interfund balances	<u>(985,008)</u>	<u>985,008</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 821,956</u>	<u>\$ 2,159,505</u>	<u>\$ 2,981,461</u>
 LIABILITIES AND FUND BALANCES:			
Accounts payable	\$ 53,819	\$ 489,697	\$ 543,516
Accrued payroll	17,544	-	17,544
Accrued taxes	4,559	-	4,559
Other current liabilities	57,609	-	57,609
Liability for insurance claims	27,731	-	27,731
Unearned assessments	<u>2,135,721</u>	<u>315,162</u>	<u>2,450,883</u>
TOTAL LIABILITIES	2,296,983	804,859	3,101,842
Fund balances	<u>(1,475,027)</u>	<u>1,354,646</u>	<u>(120,381)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 821,956</u>	<u>\$ 2,159,505</u>	<u>\$ 2,981,461</u>

See accompanying notes and independent accountant's review report

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
REVENUES:			
Maintenance assessments	\$ 2,120,502	\$ 314,342	\$ 2,434,844
Rental income	64,520	-	64,520
Interest earned	2	996	998
Member interest and fees	-	-	-
Bad debt recovery	26,468	14,008	40,476
Special assessment	-	-	-
Paycheck Protection Program grant	167,025	-	167,025
Other income	69,891	-	69,891
	<u>2,448,408</u>	<u>329,346</u>	<u>2,777,754</u>
Total Revenues	\$ 2,448,408	\$ 329,346	\$ 2,777,754
EXPENSES:			
Wages	645,471	-	645,471
Payroll taxes	76,768	-	76,768
Employee benefits	27,594	-	27,594
Utilities	149,516	-	149,516
Repairs and replacement expense	176,198	126,328	302,526
Management fees	106,644	-	106,644
Lobby refreshments	2,387	-	2,387
Administration	370,270	-	370,270
Property taxes	76,105	-	76,105
Insurance	120,109	-	120,109
Bad debt expense	565,948	61,792	627,740
Interest	1,533	-	1,533
Covid-19 expenses	9,659	-	9,659
Advertising	2,936	-	2,936
Activities expense	2,053	-	2,053
Special assessment expense	-	1,227,892	1,227,892
Income tax expense	51	-	51
	<u>2,333,242</u>	<u>1,416,012</u>	<u>3,749,254</u>
Total Expenses	2,333,242	1,416,012	3,749,254
EXCESS OF REVENUES OVER/(UNDER) EXPENSES	115,166	(1,086,666)	(971,500)
BEGINNING FUND BALANCES	(1,475,027)	1,354,646	(120,381)
ENDING FUND BALANCES	\$ (1,359,861)	\$ 267,980	\$ (1,091,881)

See accompanying notes and independent accountant's review report

**EDGEWATER BEACH RESORT' TIMESHARE
CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
REVENUES:			
Maintenance assessments	\$ 1,844,081	\$ 387,653	\$ 2,231,734
Rental income	88,496	-	88,496
Interest earned	724	24,715	25,439
Member interest and fees	8,394	-	8,394
Bad debt recovery	25,766	16,876	42,642
Special assessment	-	812,416	812,416
Other income	<u>64,074</u>	<u>-</u>	<u>64,074</u>
Total Revenues	\$ 2,031,535	\$ 1,241,660	\$ 3,273,195
EXPENSES:			
Wages	786,516	-	786,516
Payroll taxes	110,737	-	110,737
Employee benefits	36,439	-	36,439
Utilities	177,315	-	177,315
Repairs and replacement expense	198,936	773,997	972,933
Management fees	104,040	-	104,040
Lobby refreshments	4,007	-	4,007
Administration	284,293	-	284,293
Property taxes	94,385	-	94,385
Insurance	111,374	-	111,374
Bad debt expense	461,140	280,446	741,586
Interest	-	283	283
Advertising	2,039	-	2,039
Activities expense	4,453	-	4,453
Special assessment expense	-	612,060	612,060
Income tax expense	<u>1,297</u>	<u>-</u>	<u>1,297</u>
Total Expenses	<u>2,376,971</u>	<u>1,666,786</u>	<u>4,043,757</u>
EXCESS OF EXPENSES OVER REVENUES	(345,436)	(425,126)	(770,562)
BEGINNING FUND BALANCES	<u>(1,129,591)</u>	<u>1,779,772</u>	<u>650,181</u>
ENDING FUND BALANCES	<u>\$ (1,475,027)</u>	<u>\$ 1,354,646</u>	<u>\$ (120,381)</u>

See accompanying notes and independent accountant's review report

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over/(under) expenses	\$ 115,166	\$ (1,086,666)	\$ (971,500)
Adjustments to reconcile excess of revenues over/(under) expenses to net cash provided/(used) by operating activities:			
PPP loan forgiveness	(167,025)	-	(167,025)
(Increase) decrease in:			
Certificates of deposit	-	350,000	350,000
Accounts receivable - members	284,024	13,147	297,171
Accounts receivable - other	(12,928)	480,000	467,072
Prepaid expenses	(8,724)	-	(8,724)
Inventory	(106)	-	(106)
Increase (decrease) in:			
Accounts payable	268,998	(489,697)	(220,699)
Accrued payroll	(10,387)	-	(10,387)
Accrued taxes	(3,319)	-	(3,319)
Accrued interest on SBA loan	1,533	-	1,533
Other current liabilities	20,824	-	20,824
Liability for insurance claims	(27,731)	-	(27,731)
Unearned assessments	(28,949)	42,594	13,645
Due (to) from other fund	<u>(763,613)</u>	<u>763,613</u>	<u>-</u>
Net Cash (Used)/Provided by Operating Activities	(332,237)	72,991	(259,246)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from SBA loan	121,700	-	121,700
Proceeds from PPP loan	<u>167,025</u>	<u>-</u>	<u>167,025</u>
Net Cash Provided by Financing Activities	288,725	-	288,725
NET (DECREASE)/INCREASE IN CASH:	(43,512)	72,991	29,479
CASH - BEGINNING OF YEAR	<u>442,540</u>	<u>152,796</u>	<u>595,336</u>
CASH - END OF YEAR	<u>\$ 399,028</u>	<u>\$ 225,787</u>	<u>\$ 624,815</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:			
Cash Paid for :			
Interest	<u>\$ 0</u>		
Income taxes	<u>\$ 1,285</u>		

See accompanying notes and independent accountant's review report

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Operating Fund	Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of expenses over revenues	\$ (345,436)	\$ (425,126)	\$ (770,562)
Adjustments to reconcile excess of expenses over revenues to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Certificates of deposit	-	489,731	489,731
Accounts receivable - members	(308,872)	459,649	150,777
Accounts receivable - other	8,454	(480,000)	(471,546)
Prepaid expenses	(10,928)	-	(10,928)
Inventory	(34)	-	(34)
Increase (decrease) in:			
Accounts payable	(2,543)	489,697	487,154
Accrued payroll	4,516	-	4,516
Accrued taxes	1,812	-	1,812
Other current liabilities	(2,275)	-	(2,275)
Liability for insurance claims	(82,545)	-	(82,545)
Unearned assessments	190,761	(830,622)	(639,861)
Due (to) from other fund	574,660	(574,660)	-
Net Cash Provided (Used) by Operating Activities	27,570	(871,331)	(843,761)
 CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of line of credit	-	(80,000)	(80,000)
Net Cash Used by Financing Activities	-	(80,000)	(80,000)
 NET INCREASE/(DECREASE) IN CASH:	27,570	(951,331)	(923,761)
 CASH - BEGINNING OF YEAR	414,970	1,104,127	1,519,097
 CASH - END OF YEAR	\$ 442,540	\$ 152,796	\$ 595,336
 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:			
Cash Paid for :			
Interest	\$ 283		
Income taxes	\$ 650		

See accompanying notes and independent accountant's review report

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 - NATURE OF ORGANIZATION

Edgewater Beach Resort Timeshare Condominium Association was created on October 8, 2008 in the State of Massachusetts. The Association operates and manages an interval ownership condominium complex located in Dennisport, Massachusetts. The interval ownership condominium consists of 76 condominium units with a potential of 52 timeshare interests, representing a total of 3,952 timeshare interests. As of December 31, 2020, 177 of the timeshare interests remain unsold in the name of the developer, New England Resort Marketing, LLC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

Fund Accounting

Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The operating fund reflects the operating portion of annual assessments paid by the unit-week owners to meet the various day-to-day expenditures incurred in the administration and operation of the condominium and recreational facilities.

Reserve Fund - The reserve fund is used to accumulate financial resources designated for future major repairs and replacements.

Revenue Recognition

Maintenance fee revenue is recorded annually in the amount of the membership assessment allocation specified for current period operations based on the annual budget adopted by the Board of Trustees. Each Association member is a unit-week owner and an equal portion of the maintenance fees is assessed for each unit-week.

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly-liquid debt instruments purchased with a maturity of less than three months or otherwise readily available, to be cash equivalents. The Association considers its investments in money market accounts as cash equivalents.

Income Taxes

The Association files its income tax return as a homeowners' association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 32% on its investment income and other non-exempt function income. The Association incurred state income tax expense of \$51 and \$1,297 for the years ended December 31, 2020 and 2019, respectively.

The Association annually files IRS Form 1120-II – *Return for Homeowners Associations*. These tax returns are subject to review of the taxing authorities, generally for three years after they were filed. The tax returns for years 2019, 2018, and 2017 remain open for review. The Association currently has no tax examinations in progress.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 3 - CERTIFICATES OF DEPOSIT

The Association maintained zero and two certificate of deposit accounts (CDs) as of December 31, 2020 and 2019, respectively. The total balances in CDs was \$0 and \$350,000 as of December 31, 2020 and 2019, respectively. Interest on the two CDs held as of December 31, 2019 accrued at rates of 1.75% and 1.84%, respectively. The 2019 CDs both matured during 2020. The CDs are not classified as cash equivalents due to original maturity dates greater than 90 days.

NOTE 4 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members are reported net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. The Association's policy is to retain legal counsel and take action on the properties of owners whose assessments are considered uncollectible, which is determined on a case by case basis.

Accounts receivable - members consisted of the following as of December 31, 2020 and 2019:

<u>2020</u>	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Prior year maintenance fees	\$2,343,916	\$ -	\$2,343,916
2020 maintenance fees	1,020,003	178,554	1,198,557
Allowance for bad debts	<u>(2,343,916)</u>	<u>-</u>	<u>(2,343,916)</u>
Total	<u>\$1,020,003</u>	<u>\$178,554</u>	<u>\$1,198,557</u>
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>2019</u>			
Prior year maintenance fees	\$2,217,593	\$ -	\$2,217,593
2019 maintenance fees	1,304,027	191,701	1,495,728
Allowance for bad debts	<u>(2,217,593)</u>	<u>-</u>	<u>(2,217,593)</u>
Total	<u>\$1,304,027</u>	<u>\$191,701</u>	<u>\$1,495,728</u>

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 5 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of 2021 and 2020 maintenance fees billed by the Association prior to January 1, 2021 and 2020, respectively.

NOTE 6 - INVENTORY

Beginning in May 2016, the Board of Trustees began tracking in the financial statements the total one-week intervals available for sale. There were 565 and 459 one-week intervals available for sale as of December 31, 2020 and 2019, respectively. Each interval was assigned a value equal to its estimated net realizable value which as of December 31, 2020 and 2019 was \$1.

NOTE 7 - CONCENTRATIONS

Approximately 5% of the 2020 and 2019 maintenance fees were billed to the developer, New England Resort Marketing, LLC. The developer owned 177 unit-weeks on December 31, 2020 and 2019, respectively, for which no maintenance fees have been paid relative to these units. The Association is pursuing litigation against the developer to foreclose on the 177 unit-weeks.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash accounts in financial institutions, and, at times, deposits may exceed federally insured limits. As of December 31, 2020, the Federal Deposit Insurance Corporation (FDIC) currently insures bank balances up to \$250,000 per customer. The Association has not experienced any losses in cash and cash equivalent accounts, and believes it is not exposed to any significant credit risk on invested cash.

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 9 - RESERVE FUND

The Association's reserve fund is utilized to accumulate funds for future major repairs and replacements by an allocation of the maintenance fees assessment charged to each unit-week owner specifically designated for the fund in the annual budget. Deductions from the fund are recorded at cost, as incurred, which are determined by the Board, to meet the objective for which the fund was established. Additions to the reserve fund from maintenance fees was \$314,342 and \$387,653 for the years ended December 31, 2020 and 2019, respectively. The allocation for the years ended December 31, 2020 and 2019 was approximately 13% and 17% of total maintenance fees excluding special assessments, respectively.

The Association engaged a consultant who conducted a reserve study in May 2016 to estimate the remaining useful lives and the replacement costs of the Association's common property. Replacement cost have not been inflation adjusted for increases in building material cost. These adjustments could be a material amount from the original study conducted in 2016.

The table included in the compiled supplementary information on Future Major Repairs and Replacements is based on the study. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacements costs, considering amounts previously accumulated in the reserve funds. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve funds may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

A special assessment totaling \$812,416 was billed during the year ended December 31, 2019. The unit-week owners were billed \$765,237 and the developer was billed \$47,179. There were no special assessments in 2020.

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 10 - LIABILITY FOR INSURANCE CLAIMS

In April 2018 there was a fire in room 704 that damaged the room and surrounding areas. A property restoration company was hired to restore the room and surrounding areas to their previous condition. Between 2018 and 2020, the Association incurred \$1,379,795 of costs for the restoration work. Additionally, due to the fire, owners were not able to occupy the damaged rooms and were given the option of visiting a different property or being reimbursed their maintenance fees for the period. During 2018 and 2019 the Association paid \$34,391 in reimbursed maintenance fees and \$225,004 to other properties to occupy the owners during the period of displacement. The Association submitted a claim to their insurance company to be reimbursed for the costs incurred with the exception of a \$5,000 deductible. As of December 31, 2019 the Association had been reimbursed \$734,176 by the insurance company and received an additional \$480,000 in March 2020 which was included in Accounts Receivable as of December 31, 2019. Management sought an additional \$393,093 from the insurance company but the claim was denied in 2020. As a result, management filed a lawsuit against its insurance broker seeking the remaining \$420,014 plus the cost of legal fees. Litigation is currently pending, and management cannot reasonably estimate how much of the amount requested will be collected.

As of December 31, 2019, \$489,697 was owed to the property restoration company. This amount was recorded in accounts payable on the balance sheet. During 2020, the Association negotiated a lower amount due for the restoration work. Per the agreement, \$200,000 was paid to the company in 2020 with two additional payments of \$75,000 due in June and December 2021, respectively. If the Association timely makes each of the \$75,000 payments the balance will be considered paid in full, and the Association will record a discount for the remaining \$139,697 in December 2021.

In July 2019, a tornado impacted the condominium complex. An insurance claim was filed for the items destroyed during the storm. As of December 31, 2019, the Association had been paid \$41,202 for the claim but had only spent \$13,471. The \$27,731 of unspent insurance proceeds was recorded as a liability on the balance sheet. These funds were spent in 2020.

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 11 - ADVERTISING

The Association follows the policy of charging the cost of advertising to expense as incurred. Advertising cost for the years ended December 31, 2020 and 2019 was \$2,936 and \$2,039, respectively.

NOTE 12 - COMMITMENTS

The Association's management agreement with Vacation Resorts International (VRI) for management services was signed and made effective January 1, 2015. This contract expires on December 31, 2021. The Association has the following financial commitment through the year 2021 for VRI's management services:

2021	\$255,060
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On July 1, 2015, the Association entered into a management subcontract agreement with Sea-Winds II Condominium trust (SWB) a timeshare resort located in Dennisport, Massachusetts. SWB has no employees so has engaged the Association to provide coverage and resort services in exchange for compensation. In exchange for the coverage services, SWB will pay the Association a monthly fee of \$1,500 in 2015 with the monthly fee increasing 2.5% each year until the contract expires in 2021. The cost of any other services provided by the Association to SWB will be reimbursed on a monthly basis.

NOTE 13 - PAYCHECK PROTECTION PROGRAM

On May 4, 2020, the Association received loan proceeds of \$167,025 under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after a 24 week period as long as the loan proceeds are used for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP for the loan forgiveness.

**EDGEWATER BEACH RESORT TIMESHARE
CONDOMINIUM ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 13 - PAYCHECK PROTECTION PROGRAM (CONTINUED)

The PPP loan matures two years from the date of first disbursement of proceeds to the Association (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months and payable in eighteen (18) equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date. The loan matures May 4, 2022.

In anticipation of the loan being forgiven in full, the balance has been recorded as Paycheck Protection Program grant revenue for the year ended December 31, 2020. The Association received confirmation that the loan had been forgiven in full in March 2021.

NOTE 14 - ECONOMIC INJURY DISASTER LOAN

On August 28, 2020, the Association received an Economic Injury Disaster Loan (EIDL) in the amount of \$121,700 from the U.S. Small Business Administration (SBA). All tangible and intangible personal property of the Association is pledged as collateral. Payments on the loan are scheduled to commence on August 28, 2021, with monthly payments continuing each month until the loan matures on August 28, 2050, at which time all unpaid principal and accrued interest are to be paid. Equal monthly payments are to be made in the amount of \$593. The loan bears interest at an annual rate of 3.75%. Payments on the loan are deferred for one year. As of December 31, 2020, \$1,533 of interest has accrued on the loan.

Principal amounts due on the note payable are as follows for future years ending December 31:

2021	985
2022	2,458
2023	2,551
2024	2,636
2025	2,749
Thereafter	<u>111,854</u>
TOTAL	<u>\$123,233</u>

EDGEWATER BEACH RESORT TIMESHARE

CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 15 - SUBSEQUENT EVENT - DATE OF MANAGEMENT'S REVIEW

The Association's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Foundation in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain and cannot be reasonably estimated at this time.

Other than the matter noted above, the Association has evaluated subsequent events through September 13, 2021 the date through which the financial statements were available to be issued and has determined that there were no other subsequent events that require disclosure under FASB ASC Topic Subsequent Events.

**EDGEWATER BEACH RESORT TIMESHARE
 CONDOMINIUM ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2020**

The Better Reserve Consultants company conducted a study in May 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2.5%, an interest rate of 1%, and income taxes on interest earned of 30% on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Building Exterior	0 to 15	\$ 285,200
Building Interior	0 to 19	529,000
Common Area	0 to 4	54,500
Housekeeping	0 to 6	10,500
Pool Area	2 to 24	98,000
Reserve Study	0 to 2	3,500
Roads and Parking	0 to 5	129,764
Units	0 to 19	2,237,980
Utilities/Mechanical/Systems	3 to 25	<u>805,000</u>
TOTALS		<u><u>\$ 4,153,444</u></u>

See independent accountant's review report.