Summer Winds Condominiums, Inc. and Subsidiary

Consolidated Financial Report
(Reviewed)
September 30, 2020

Contents

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Owners
Summer Winds Condominiums, Inc.
and Subsidiary
Indian Beach, North Carolina

I have reviewed the accompanying consolidated financial statements of Summer Winds Condominiums, Inc. and its subsidiary, which comprise the consolidated balance sheet as of September 30, 2020, and the consolidated statements of revenues and expenses and changes in fund balances, and cash flows for the year 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 the organizations' management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements taken as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion on the Combined Financial Statements

Based on my review, I am not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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 for placing the financial statements in an appropriate operational, economic, or historical context.

Summarized Comparative Information

I have previously reviewed Summer Winds Condominiums, Inc. and its subsidiary September 30, 2019, consolidated financial statements and issued a review report on those financial statements dated September 22, 2020. The summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the reviewed combined financial statements from which they were derived.

G. Lee Carroll, Jr., CPA

October 18, 2021

Summer Winds Condominiums, Inc. and Subsidiary

Consolidated Balance Sheets
September 30, 2020
(With Summarized Comparative Totals for 2019)
See Independent Accountant's Review Report

	2020			2019
Assets	**Operating Fund**	**Replacement Fund**	**Total**	Total
Current Assets				
Cash and cash equivalents (Note 4)	**$ 439,536**	**$ 353,532**	**$ 793,068**	$ 650,979
Receivables:				
Assessments (Notes 3, 4, 5 and 6)	**16,484**	**306,931**	**323,415**	750,141
Other	**45,714**	**-**	**45,714**	2,207,289
Inventory	**8,003**	**-**	**8,003**	7,621
Prepaid expenses	**98,363**	**-**	**98,363**	96,926
Total current assets	**608,100**	**660,463**	**1,268,563**	3,712,956
Property and equipment, less accumulated depreciation 2020 $216,5511; 2019 $204,871 (Note 7)	**198,980**	**-**	**198,980**	207,480
	$ 807,080	**$ 660,463**	**$ 1,467,543**	$ 3,920,436

Liabilities and Fund Equity				
Current Liabilities				
Notes payable (Note 6)	**$ -**	**$ 237,373**	**$ 237,373**	$ 593,433
Current maturities of long-term debt (Note 7)	**16,099**	**-**	**16,099**	13,432
Accounts payable and accrued expenses	**47,445**	**-**	**47,445**	1,478,449
Prepaid assessments	**31,654**	**6,948**	**38,602**	33,043
Deferred revenue (Note 4)	**-**	**127,082**	**127,082**	1,040,583
Total current liabilities	**95,198**	**371,403**	**466,601**	**3,158,940**
Long-term debt, less current maturities (Note 7)	**164,479**	**-**	**164,479**	179,869
Commitments and contingencies (Notes 2, 4, 5, 6, 7, 8, 9, 10, and 12)				
Fund Equity				
Fund balances	**547,403**	**289,060**	**836,463**	581,627
	$ 807,080	**$ 660,463**	**$ 1,467,543**	$ 3,920,436

See Notes to Consolidated Financial Statements.

Summer Winds Condominiums, Inc. and Subsidiary

Consolidated Statements of Revenues and Expenses and Changes in Fund Balances
Year Ended September 30, 2020
(With Summarized Comparative Totals for 2019)
See Independent Accountant's Review Report

	2020			2019
	Operating Fund	Replacement Fund	Total	Total
Revenues:				
Monthly dues assessments (Note 3)	$ 917,266	$ -	$ 917,266	$ 917,266
Special assessments (Notes 3 and 4)	-	671,766	671,766	201,107
Maintenance future repair/replacement assessments (Note 3 and 4)	-	275,180	275,180	275,180
Insurance assessments (Note 3)	336,331	-	336,331	336,331
Sales goods/services	80,367	-	80,367	88,671
Rental income (Note 8)	71,603	-	71,603	81,349
Insurance proceeds (Note 12)	312,031	-	312,031	3,054,068
Interest income	17	49	66	366
Other	56,600	-	56,600	42,750
Total revenues	1,774,215	946,995	2,721,210	4,997,088
Expenses:				
Selling expenses	28,974	-	28,974	37,829
General and administrative (income) and expenses:				
Salaries, wages and related taxes	479,553	-	479,553	455,627
Repairs and maintenance	217,327	745,075	962,402	791,811
Hurricane damage repairs (Note 12)	173,697	-	173,697	3,054,068
Electricity and gas	77,223	-	77,223	69,617
Water service	42,287	-	42,287	18,925
Cable service	80,735	-	80,735	78,200
Pest control	7,616	-	7,616	8,964
Trash collections	38,298	-	38,298	46,351
Elevator service	33,282	-	33,282	29,099
Depreciation	16,675	-	16,675	15,651
Insurance	370,412	-	370,412	337,067
Professional fees	51,050	-	51,050	61,046

(Continued)

Summer Winds Condominiums, Inc. and Subsidiary

Consolidated Statements of Revenues and Expenses and Changes in Fund Balances (Continued)
Year Ended September 30, 2020
(With Summarized Comparative Totals for 2019)
See Independent Accountant's Review Report

	2020			2019
	Operating Fund	Replacement Fund	Total	Total
Office expense	$ 13,101	$ -	$ 13,101	$ 14,746
Operating expense	22,164	-	22,164	25,523
Telephone	19,491	-	19,491	17,380
Retirement (Note 9)	5,827	-	5,827	4,128
Interest expense	13,706	-	13,706	23,902
Other expense	30,881	-	30,881	18,351
Gain on sale of equipment	(1,000)	-	(1,000)	-
Total (income) and expenses	1,721,299	745,075	2,466,374	5,108,285
Revenues over (under) expenses	52,916	201,920	254,836	(111,197)
Fund balances, beginning	375,732	205,895	581,627	692,824
Transfers	118,755	(118,755)	-	-
Fund balances, ending	$ 547,403	$ 289,060	$ 836,463	$ 581,627

See Notes to Consolidated Financial Statements.

Summer Winds Condominiums, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Year Ended September 30, 2020
(With Summarized Comparative Totals for 2019)
See Independent Accountant's Review Report

	2020			2019
	Operating Fund	**Replacement Fund**	**Total**	Total
Cash Flows From Operating Activities				
Revenues over expenses	**$ 52,916**	**$ 201,920**	**$ 254,836**	$ (111,197)
Adjustments to reconcile revenues over expenses to net cash provided by (used in) operating activities:				
Depreciation	**16,675**	**-**	**16,675**	15,651
Gain on sale of equipment	**(1,000)**	**-**	**(1,000)**	-
Net transfers	**118,755**	**(118,755)**	**-**	-
Changes in assets and liabilities:				
Receivables	**2,156,184**	**432,117**	**2,588,301**	(2,860,042)
Inventory	**(382)**	**-**	**(382)**	(301)
Prepaid expenses	**(1,437)**	**-**	**(1,437)**	(13,239)
Accounts payable and accrued expenses	**(1,431,004)**	**-**	**(1,431,004)**	1,423,075
Prepaid assessments	**4,559**	**1,000**	**5,559**	7,834
Deferred revenue	**(241,735)**	**(671,766)**	**(913,501)**	1,040,583
Net cash (used in) provided by operating activities	**673,531**	**(155,484)**	**518,047**	(497,636)
Cash Flows From Investing Activities				
Purchase of property and equipment	**(8,175)**	**-**	**(8,175)**	(8,946)
Proceeds from sale of equipment	**1,000**	**-**	**1,000**	-
Net cash used in investing activities	**(7,175)**	**-**	**(7,175)**	**(8,946)**
Cash Flows From Financing Activities				
Proceeds from short-term borrowings	**183,420**	**574,558**	**757,978**	651,035
Principal payments on short-term borrowings	**(196,143)**	**(337,185)**	**(533,328)**	(57,602)
Principal payments on long-term borrowings	**(593,433)**	**-**	**(593,433)**	(12,561)
Net cash provided by (used in) financing activities	**(606,156)**	**237,373**	**(368,783)**	580,872
Net increase in cash and cash equivalents	**60,200**	**81,889**	**142,089**	74,290
Cash and cash equivalents:				
Beginning	**379,336**	**271,643**	**650,979**	576,689
Ending	**$ 439,536**	**$ 353,532**	**$ 793,068**	$ 650,979
Supplemental Disclosure of Cash Flow Information				
Cash payments for interest on debt	**$ 27,697**	**$ -**	**$ 27,697**	$ 22,567

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Summer Winds Condominiums, Inc. (the "Association") was chartered as a condominium association, primarily to operate and maintain common buildings and property in Salter Path, North Carolina used as 210 condominium residences, pursuant to Chapter 55A of the General Statutes of North Carolina. Individual property owners own outright their respective individual dwelling units and an undivided interest in common areas and facilities. Responsibility for maintaining the individual dwelling units and the common areas and facilities is generally vested with the owners and the Association, respectively.

The function of Summer Winds Services, Inc. (the "Subsidiary") is to manage the lease of a rental building on the aforementioned property and other common areas and to provide for the sales of food and beverages to the Association's members, guests, and non-members.

A summary of the Association's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of Summer Winds Condominiums, Inc. and its wholly owned subsidiary, Summer Winds Services, Inc. All significant inter-company accounts and transactions have been eliminated.

Fund accounting: The Association utilizes fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are for normal maintenance and service activities and are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund are for major repairs and replacement activities.

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

Cash and cash equivalents: For purposes of reporting cash flows, the Association considers all time deposits with maturities of three months or less at the date acquired to be cash equivalents. The Association maintains deposits with a high credit quality financial institution, the balances of which, at times, exceed federally insured limits.

Assessment accounts receivable: Assessment accounts receivable include assessments billed for monthly dues, insurance, maintenance-future repairs and replacement, and any special assessments billed at original invoice. Historically, management has reviewed the collectability of each member's assessments to determine if any allowance is necessary. The balance of all assessment accounts receivables are deemed collectible by management and have not been reduced for any doubtful receivables.

Assessment receivables are considered to be past due if any portion of the receivable balance is outstanding for more than 60 days. After 60 days a $75 collection fee is assessed and interest is charged at the rate of 1.5% per month.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Other accounts receivables: Accounts receivable are carried at original invoice amount and are discounted for doubtful receivables if applicable. Management determines the allowance by evaluating individual customer's outstanding receivables along with the customer's financial condition, credit history and current economic conditions. Accounts receivable are written off in the year they are deemed to be uncollectible if applicable and any recoveries of previously written off amounts will be recorded as other revenue in the year received.

An accounts receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 60 days. No interest is charged on accounts receivable.

Property and equipment: Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed primarily by accelerated methods over the estimated useful lives of the assets. The Association has a capitalization threshold of $2,500. The Association does not capitalize common property, and capital expenditures for common property are reflected as an expense in the consolidated statement of revenue and expenses and changes in fund balances.

Prepaid assessments: Prepaid assessments represent funds received for monthly dues, insurance and maintenance-future repair and replacement assessments applicable to and due in the subsequent year.

Revenue recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* The core principle of the revenue model is that revenue is recognized when a customer/member obtains control of a good or service. A customer/member obtains control when it has the ability to direct the use and obtains benefits from the good or service. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers/members. The Association and Subsidiary adopted the standard effective October 1, 2018. Adoption of the new revenue standard had no impact to beginning or ending net assets or cash provided by or used in operating, financing or investing on the consolidated statement of cash flows.

The Association and Subsidiary recognize revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Association is a not-for-profit entity with revenue derived from member monthly dues and assessments. The Subsidiary is a corporation which manages the lease of a rental building on the Association's property and other common areas and provides for the sales of food and beverages to the Association's members, guests, and non-members.

The Association records member monthly dues and assessments as revenue in the month that they are assessed. Special assessments are reported as revenue in the period that they are levied unless they are designated for specific costs that have not yet been incurred, in which case they are deferred and thereafter reported as revenues when the corresponding liabilities and expenses are reported. In both cases, this is the point in time when the Association and Subsidiary's performance obligation is satisfied.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Rental income is recognized on a monthly basis, sale of goods is recorded as revenue upon delivery of these goods at the time of sale, service income is recognized when the underlying related expenditures have occurred which is when their performance obligations are satisfied.

Income taxes: The Association can elect to file its income tax return as a regular corporation and by doing so, section 277a of the Internal Revenue Code (IRC) provides that a membership organization separate its income and expenses that relate to its members and non-members and apply the graduated corporate rates to the taxable income.

Alternatively, the Association may elect to be taxed under IRC section 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The nonexempt income is taxed at a 30 percent flat rate on net income in excess of $100.

For state income tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership 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 2.5%.

Summer Winds Services, Inc. files as a regular corporation and pays tax at the corporate rate on its taxable income, if any.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Subsequent Events: The Association has evaluated its subsequent events (events occurring after September 30, 2020) through October 18, 2021 the date the financial statements were available to be issued.

Note 2. Income Tax Matters

The Association has elected to file its federal income tax return under IRC Section 528 as explained above in Note 1. No provision for income taxes was made due to the amount being immaterial to the financial statements.

Summer Winds Services, Inc. has net operating loss carry-forwards as of September 30, 2020, that expire in the following years:

Year Ending September 30,	Amount
2030	7,529
2031	73,173
2032	87,396
2033	88,718
2034	91,191
	$ 348,007

Note 2. Income Tax Matters (Continued)

A deferred tax asset of approximately $80,042 resulting from the loss carry-forwards is offset by a valuation allowance of the same amount. Management has evaluated the Association's tax positions and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the Financial Accounting Standards Board's (FASB) guidance for uncertainty in income taxes.

Note 3. Owners' Assessments

Monthly dues, insurance and other operating and replacement fund assessments to owners are determined by the board of directors (the "Board") based on the annual budget and special assessments are determined by a specific need. Each owner is assessed by their respective individual unit ownership percentage. The Association retains any excess operating funds at the end of the operating year for use in future periods.

Note 4. Replacement Fund – Special Assessments and Deferred Revenue

On June 26, 2019, the Board voted to approve and levy a special assessment (known as the "2019 Special Assessment") in order to fund the modernization of all seven elevators in the amount of $999,955 that is to be paid either as a lump sum or in twenty-four equal monthly installments beginning September 1, 2019 and ending August 1, 2021. The special assessment plus service charges of $12 for a total of $999,968 was billed to the respective Homeowners during the fiscal year ended September 30, 2019.

During the fiscal year ended September 30, 2019, $201,107 of expenses related to the 2019 Special Assessment of $999,955, were incurred and these costs and related revenue of $201,107 were reported in the replacement fund of the Consolidated Statement of Revenue and Expenses and Changes in Fund Balance for the year ended, September 30, 2019. The remaining balance of the 2019 Special Assessment for which specific costs have not yet been incurred is reported as deferred revenue in the Consolidated Balance Sheet for the year ended September 30, 2019 in the amount of $798,848.

During the fiscal year ended September 30, 2020, $671,766 of expenses related to the 2019 Special Assessment of $999,955, were incurred and these costs and related revenue of $671,766 were reported in the replacement fund of the Consolidated Statement of Revenue and Expenses and Changes in Fund Balance for the year ended, September 30, 2020. The remaining balance of the 2019 Special Assessment for which specific costs have not yet been incurred is reported as deferred revenue in the Consolidated Balance Sheet for the year ended September 30, 2020 in the amount of $127,082.

Note 5. Replacement Fund – Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements as directed by the Board. Historically, the Board has approved annual additions and periodic special assessments to the Replacement Fund. The Board voted to approve a monthly Maintenance-Future Repair & Replacement assessment to all members beginning January 1, 2013 which funds the replacement fund. As of September 30, 2020, cumulative billings related to this assessment totaled $1,752,432.

Accumulated cash and cash equivalents, net of approved related expenditures for Replacement Fund of $283,701 at September 30, 2020, is held in a separate account and is generally not available for expenditures for normal operations except by board approval. Special Assessments receivable for the Replacement Fund if applicable are also held in a separate account.

Note 5. Replacement Fund – Future Major Repairs and Replacements (Continued)

At the Board's request, GAB Robins North America, Inc. conducted a full reserve study in November 2006 to estimate the remaining useful lives and the replacement costs for major repairs and replacements of the components of common property. In 2015, at the Board's request GAB Robins, A Division of Cunningham Lindsey, conducted an on-site reserve study update for the period October 1, 2015 – September 30, 2016. The original and updated estimates were based on industry standards and cost estimating services. The updated reserve study report dated June 16, 2015, is classified as an update reserve study with site visit under the guidelines of the National Reserve Study Standards of the Community Associations Institute, and conforms to the Community Associations Institute Professional Reserve Specialist Code of Ethics. As of the date of this report, the Board or the unit owners have not adopted or implemented this updated study.

Actual expenditures may vary from the estimated future expenditures and the variations may be material, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to board approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 6. Short Term Notes Payable

The Association entered into a long term promissory note with Truist Bank on December 13, 2019, in the amount of $574,558. $500,000 was used for costs associated with the replacement fund's 2019 Special Assessment's elevator modifications while the Association is pending collections of the special assessment over 24 months as noted above in footnote number 4 and $74,558 is to refinance the outstanding balance at maturity, December 18, 2019, of the operating fund's $151,035 short term notes payable entered into December 14, 2018. This note is payable to the bank in twenty-four consecutive payments of $24,973, beginning January 25, 2020, maturing December 25, 2021, at an interest rate of 3.9% and collateralized by an Assignment and Security Interest in the 2019 Special Assessment collections. During the year ending September 30, 2020, the Association elected to make additional principal pre-payments in addition to the scheduled principal and interest payments in the amount of $125,000. The outstanding balance at September 30, 2020 is $237,373. Subsequent to September 30, 2020, The Association paid the note in full on March 16, 2021 prior to the stated maturity date. As a result of the Association's early payoff, the notes payable balance is actually classified as short term.

Note 7. Pledged Assets and Long-Term Debt

A summary of the Company's long-term debt at September 30, 2020, and the related collateral pledged thereon, is as follows:

4.250% mortgage note payable, 113 installments of $1,965 including interest due January 13, 2030, collateralized by Unit 418 of Summer Winds Condoniniums, Inc. with a carrying value of $184,572.	$ 180,578
Less current maturities	16,099
	$ 164,479

Note 7. Pledged Assets and Long-Term Debt (Continued)

Aggregate maturities required on long-term debt as of September 30, 2020 are due in future years as follows:

Year Ending September 30,	
2021	$ 16,099
2022	16,807
2023	17,547
2024	18,318
2025	19,124
2026 - 2030	92,683
	$ 180,578

Note 8. Leasing Arrangements

During 2013, the Association's administrative offices (HOA), which were formerly housed in Unit 138, B Building, Summer Winds and a portion of the common areas of the Association, moved into their new offices in the old "rental" building which is also a portion of the common areas of the Association. As a result of the move, the Association entered into a renovation agreement and lease with an individual in the construction business (tenant) to renovate the former HOA offices into a habitable one bedroom residential apartment in exchange for a six year lease for said unit. All costs associated with the renovation will be at the tenant's sole cost and expense and at no cost to the Association. The term of this agreement commenced upon the HOA's moving out of Unit 138 and will end on the date occurring on the sixth anniversary of the date of the certificate of occupancy or certificate of compliance for the apartment or 60 days after the HOA has moved out whichever is the earlier date. The Association, in turn entered into a sub-lease agreement for the same terms with its Subsidiary, Summer Winds Services, Inc. to manage the lease. Effective November 1, 2013, the renovations to Unit 138, B building were complete, a certificate of occupancy was awarded and the Association's subsidiary, Summer Winds Services began leasing the unit. The original lease expired August 31, 2019 and was renewed September 1, 2019 for five years and will expire on August 31, 2024.

During 2018, the HOA had unused common area space, formerly known as the Fishnet Café and currently known as Unit 126, C building. The Association entered into a renovation agreement and lease with the same tenant noted above to renovate the former non-residential space into a habitable studio residential apartment in exchange for a six year lease for said unit. All costs associated with the renovation will be at the tenant's sole cost and expense and at no cost to the Association. The term of this agreement commenced upon the HOA's moving out of Unit 126 and will end on the date occurring on the sixth anniversary of the date of the certificate of occupancy or certificate of compliance for the apartment or 60 days after the HOA has moved out whichever is the earlier date. The Association, in turn entered into a sub-lease agreement for the same terms with its Subsidiary, Summer Winds Services, Inc. to manage the lease. Effective April 1, 2019, the renovations to Unit 126, C building were complete, a certificate of occupancy was awarded and the Association's subsidiary, Summer Winds Services began leasing the unit.

The Association and Subsidiary recognized $71,603 in rental revenue for the year ended September 30, 2020 which consists of the 2.75% rental fee collected on unit rentals from 3rd party rental agencies and self-renting homeowners as well as conference room rentals and the rental of units 138, B Building and 126, C Building.

Note 9. Defined Contribution Retirement Plan

The Association maintains a defined contribution plan that covers eligible employees who have elected to participate and whose compensation was at least $5,000 during the calendar year. Contributions are matched by the lesser of 100% of the employee's contribution or up to 3% of annual salary. The company made contributions of $5,827 for the year ended September 30, 2020.

Note 10. Summarized Comparative Amounts and Reclassifications

The comparative total amounts shown for 2020 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2019 and are not intended to present all information necessary for a fair presentation of the 2019 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such summarized information should be read in conjunction with the Association's consolidated financial statements for the year ended September 30, 2019 from which the summarized information was derived.

Note 11. Accounting Pronouncements

Accounting pronouncements issued not yet adopted: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In July 2018, the FASB issued ASU 2018-11, Leases (Topic): Targeted Improvements, which amends and clarifies ASU 2016-02 and provides an optional additional transition option that allows an entity to record a cumulative-effect adjustment to retained earnings in the period of adoption. The Association has not yet evaluated the impact of this ASU on the financial statements.

Note 12. Commitments, Contingencies and Subsequent Events

Waste Water Treatment Plant: On July 15, 2008, the Association and Shearin Family Investment, LLC, (Shearin) entered into an agreement to establish a joint wastewater treatment and disposal facility (WWTF) to serve Summer Winds Condominiums and the condominiums and marina being built by Shearin across the street currently known as the Nautical Club Condominiums. The facility with 70 individual units was built on property owned 100% by the Association.

The operational entity for the WWTF, is a mater association incorporated November 3, 2011, known as SWNC Master Owners Association, Inc. (SWNC). The members of SWNC are the Summer Winds Condominium owners association (Association) and the Nautical Club owners association (NC) and is governed by a representative from each of the condominiums owners' association boards and the General Manager of Summer Winds Condominiums.

Beginning January 1, 2013, SWNC began paying 100% of the operating costs of WWTF and in turn invoices the two member associations for their respective share of the costs of the operation according to formulas outlined in the "Master Declaration of Covenants for SWNC Mater Owners Association, Inc."

On January 25, 2021, SWNC entered into a contract with SE industrial Services, LLC in the amount of $95,862 for interior and exterior abrasive blasting and coating of the WWTF tank. This work began in May of 2021 and is still in progress.

Note 12. Commitments, Contingencies and Subsequent Events (Continued)

Based on the fact that the wastewater from the Nautical Club is disposed of on the Summer Winds campus and that there are "repair areas" on the Summer Winds campus for the treated effluent disposal should the original areas fail, the unit owners of the Nautical Club pay the Association a minimum of $500 per year "Sewer Easement Fee" for each unit. As of September 30, 2014, 100% of the Nautical Club units have been sold to a third party.

Payment of the annual Sewer Easement Fee shall be made by the Nautical Club Condominiums owners' association in equal quarterly installments on the first day of each quarter on a calendar year basis. The Sewer Easement Fee was adjusted January 1, 2012, and will be adjusted on January 1 of each third year thereafter, to reflect the percentage changes in the previous three years in the Consumer Price Index. The Sewer Easement Fee is scheduled to be adjusted January 1, 2021.

The Association recognized sewer easement income of $38,286 and $36,663 for the years ended September 30, 2020 and 2019 respectively.

Hurricane Damage: The Association incurred significant damages as a result of Hurricane Florence on September 14, 2018. The Association received a statement of loss (SOL) from the insurance adjuster of approximately $3.1 Million before depreciation and a deductible of approximately $309,000 and $25,000 respectively resulting in a net claim of approximately $2.7 Million. The Association rebutted the original SOL and requested a subsequent review of the claim which resulted in an adjusted net claim of approximately $3.3 Million.

The Association paid hurricane cleanup costs of $39,176 out of pocket during the year ending September 30, 2018, hurricane damage repairs of $3,054,068 during the year ending September 30, 2019 and final hurricane damage repairs of $173,697 during the year ending September 30, 2020 for a total hurricane damages of $3,266,941. For year ending September 30, 2019, the Association recognized $3,295,803 in insurance proceeds and $312,031 during September 30, 2020 for a total of $3,366,100. Additional costs associated with hurricane repairs are included in salaries and wages resulting from repairs performed by Association employees directly. 100% of the Hurricane Florence repairs and insurance proceeds were completed and received during year ending September 30, 2020. Overall cumulative proceeds exceed costs primarily due to final agreed upon changes with contractors.

On March 31, 2021, the Association entered into contracts with Wards Waterproofing, Inc. for an amount not to exceed $162,000 and A Fiberglass Solution, a wholly owned subsidiary of SRH Corp in the amount of $87,130 both of which are related to the replacement of one stairwell on Building B. This work is scheduled to begin in the fall of 2021.

Note 13. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Association, to date, the Association is not expecting to, although could, experience a significant decrease in collections of monthly dues and assessments from homeowners due to financial concerns.