

HAMILTON COVE HOMEOWNERS ASSOCIATION

Audited Financial Statements

For The Year Ended December 31, 2020

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3-4
BALANCE SHEET	5
STATEMENT OF REVENUE EXPENSES AND ASSOCIATION FUNDS	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-12
SUPPLEMENTAL INFORMATION	13
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS	14

OWENS, MOSKOWITZ AND ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

27792 EL LAZO

LAGUNA NIGUEL, CALIFORNIA 92677

TELEPHONE: (949) 851-5020 • FAX (949) 851-9048

E-MAIL: bob@raocpa.com Web Site: www.raocpa.com

MEMBER:
AMERICAN INSTITUTE
OF CERTIFIED
PUBLIC ACCOUNTANTS

MEMBER:
CALIFORNIA SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hamilton Cove Homeowners Association

We have audited the accompanying financial statements of Hamilton Cove Homeowners Association, which comprise the balance sheet as of December 31, 2020, and the related statements of revenue and expenses and association funds, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton Cove Homeowners Association as of December 31, 2020, 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.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on page 14 be presented to supplement the basic financial statements. Such information, 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.

Owens, Moskowitz and Associates, Inc.

April 30, 2021

Owens, Moskowitz and Associates, Inc.

HAMILTON COVE HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2020

	OPERATING FUND	REPLACEMENT FUND	LAND PURCHASE FUND	TOTAL
ASSETS				
Cash	\$ 161,394	\$ 1,264,279	\$ -	\$ 1,425,673
Assessments receivable	35,756	-	1,428	37,184
Prepaid insurance	109,211	-	-	109,211
Land	-	-	269,457	269,457
Fixed assets	228,930	-	-	228,930
Accumulated depreciation	(228,694)	-	-	(228,694)
Total Assets	<u>\$ 306,597</u>	<u>\$ 1,264,279</u>	<u>\$ 270,885</u>	<u>\$ 1,841,761</u>
LIABILITIES AND ASSOCIATION FUNDS				
Liabilities				
Note payable	\$ -	\$ -	\$ 269,457	\$ 269,457
Accounts payable	55,647	-	-	55,647
Prepaid assessments	38,519	-	-	38,519
PPP loan	203,433	-	-	203,433
Deferred revenue (Assessments received in advance - replacement fund)	-	1,264,279	-	1,264,279
Master land liability	13,617	-	-	13,617
Accrued interest payable	-	-	1,428	1,428
Income taxes payable	528	-	-	528
Total Liabilities	<u>311,744</u>	<u>1,264,279</u>	<u>270,885</u>	<u>1,846,908</u>
Commitments	-	-	-	-
Association funds	<u>(5,147)</u>	<u>-</u>	<u>-</u>	<u>(5,147)</u>
Total Liabilities & Association Funds	<u>\$ 306,597</u>	<u>\$ 1,264,279</u>	<u>\$ 270,885</u>	<u>\$ 1,841,761</u>

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

HAMILTON COVE HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE EXPENSES AND ASSOCIATION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	OPERATING FUND	REPLACEMENT FUND	LAND PURCHASE FUND	TOTAL
REVENUE				
Assessments	\$ 2,149,092	\$ 25,764	\$ -	\$ 2,174,856
Interfund transfers	5,000	(5,000)	-	-
Preferred mooring fees	25,559	-	-	25,559
Interest income	53	1,709	-	1,762
Cell tower income	21,453	-	-	21,453
Sublease rent	-	-	19,676	19,676
Other income	27,161	-	-	27,161
Total Revenue	2,228,318	22,473	19,676	2,270,467
EXPENSES				
Accounting	12,548	-	-	12,548
Property taxes	10,882	-	-	10,882
Administrative	24,903	731	-	25,634
Legal and audit	33,698	-	-	33,698
Insurance	828,025	-	-	828,025
Pool	5,982	-	-	5,982
Rubbish collection	21,594	-	-	21,594
Pest control	7,123	-	-	7,123
Landscape maintenance	13,325	-	-	13,325
Painting	23,963	-	-	23,963
General maintenance	12,418	-	-	12,418
Reserve study	2,950	-	-	2,950
Interest expense	-	-	19,676	19,676
Depreciation	476	-	-	476
Telephone	58,174	-	-	58,174
Electricity	56,705	-	-	56,705
Water	135,602	-	-	135,602
Security	796	-	-	796
Custodial	19,086	-	-	19,086
Fire system	21,666	-	-	21,666
Automotive	11,121	-	-	11,121
Plumbing	10,795	-	-	10,795
Uniforms	3,825	-	-	3,825
Salaries and related expenses	857,244	-	-	857,244
Pier and dock	38,867	2,673	-	41,540
Elevator	4,556	-	-	4,556
Mooring fees	73,035	-	-	73,035
Mooring maintenance	19,548	6,529	-	26,077
Golf course	2,419	2,915	-	5,334
Road	-	2,266	-	2,266
Salt water	-	2,325	-	2,325
Water sewage	-	5,034	-	5,034
Income tax	3,954	-	-	3,954
Total Expenses	2,315,280	22,473	19,676	2,357,429
Excess (deficiency) of revenue over expenses	(86,962)	-	-	(86,962)
Association funds balance (deficit) beginning of year	81,815	-	-	81,815
Association funds balance (deficit) end of year	\$ (5,147)	\$ -	\$ -	\$ (5,147)

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

HAMILTON COVE HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	OPERATING FUND	REPLACEMENT FUND	LAND PURCHASE FUND	TOTAL
Cash flows from operating activities:				
Cash received from members	\$ 2,225,498	\$ (5,000)	\$ 19,676	\$ 2,240,174
Cash paid to suppliers of goods and services	(2,311,690)	(22,473)	-	(2,334,163)
Interest received	53	1,709	-	1,762
Interest paid	-	-	(19,676)	(19,676)
Income taxes paid	(3,481)	-	-	(3,481)
Net cash provided by (used in) operating activities	(89,620)	(25,764)	-	(115,384)
Cash flows from investing activities:				
Sale of land interest	-	-	154,024	154,024
Cash flows from financing activities:				
Interfund borrowings	(122,125)	122,125	-	-
Principal payments on debt	-	-	(154,024)	(154,024)
Proceeds from PPP loan	203,433	-	-	203,433
Net cash provided by (used in) financing activities	81,308	122,125	(154,024)	49,409
Net increase (decrease) in cash and cash equivalents	(8,312)	96,361	-	88,049
Cash and cash equivalents at beginning of year	169,706	1,167,918	-	1,337,624
Cash and cash equivalents at end of year	\$ 161,394	\$ 1,264,279	\$ -	\$ 1,425,673

RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Excess (deficiency) of revenue over expenses	\$ (86,962)	\$ -	\$ -	\$ (86,962)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities:				
Depreciation	476	-	-	476
Change in assessments receivable	(15,955)	-	778	(15,177)
Change in prepaid insurance	(5,739)	-	-	(5,739)
Change in prepaid expenses	3,500	-	-	3,500
Change in prepaid taxes	46	-	-	46
Change in accounts payable	4,804	-	-	4,804
Change in deferred revenue	-	(25,764)	-	(25,764)
Change in master land liability	(3,405)	-	-	(3,405)
Change in accrued interest payable	-	-	(778)	(778)
Change in prepaid assessments	13,188	-	-	13,188
Change in income tax payable	427	-	-	427
Net cash provided by (used in) operating activities	\$ (89,620)	\$ (25,764)	\$ -	\$ (115,384)

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

HAMILTON COVE HOMEOWNERS ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 NATURE OF ORGANIZATION

Hamilton Cove Homeowners Association was incorporated on March 9, 1982, in the state of California. It is responsible for the operation and maintenance of the common property within the development, which is located Catalina Island, California. The development consists of 185 residential units. Three single family residences located on adjacent land have been annexed into the Association. The Association does not have any responsibility for the structures.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The books of Hamilton Cove Homeowners Association are maintained on the modified cash basis of accounting with entries made to convert them to the accrual basis for audit and tax purposes.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of 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 - This fund is used to account for financial resources available for the general operations of the Association.
- Replacement fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.
- Land purchase fund - This fund is used to account for the purchase of land upon which the Association is located. (Note 7)

Deferred Revenue (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. Deferred revenue (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 reserve assessments. The activity in deferred revenue (assessments received in advance-replacement fund) during 2020 is as follows:

Deferred revenue, at January 1, 2020	\$	1,290,043
Assessments Allocated for Replacement Fund		-
Interfund Transfers		(5,000)
Revenue Released to Match Reserve Expenses		<u>(1,352)</u>
Deferred revenue, at December 31, 2020	\$	<u>1,283,691</u>

Cash Equivalents and Short-term Investments

Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

The Association maintains bank accounts at various financial institutions. During the course of the year, the accounts may fluctuate over the FDIC insured amount.

SEE INDEPENDENT AUDITORS' REPORT

HAMILTON COVE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Real property and common areas acquired by the original homeowners from the developer are owned by the individual owners in common and are not capitalized on the Association's financial statements. Replacements and improvements to the real property and common areas also belong to the owners and are not capitalized on the Association's financial statements.

Fixed assets purchased by the Association are capitalized at cost and depreciated over useful lives of five to seven years using the straight-line method and declining balance methods of depreciation.

Member Assessments

Association members are subject to monthly 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 is 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 homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2020, the Association had delinquent assessments of \$37,184. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$22,007 and \$37,184, respectively.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This guidance represents a significant change in the accounting model for credit losses by requiring immediate recognition of management's estimates of "current expected credit losses". Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The new model is applicable to all financial instruments that are not accounted for at fair value through net income, thereby bringing consistency in accounting treatment across different types of financial instruments and requiring consideration of a broader range of variables when forming loss estimates. Although this change affects any entity holding financial instruments (ie: trade receivables or investments in debt securities) the financial services industry by its nature bears the most exposure. The effect of adoption of this standard will be to accelerate the recognition of credit losses. The effective date of this standard is for years beginning after December 15, 2023, with early adoption allowed. We do not plan an early adoption of this standard.

Use of Estimates

The Association uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

SEE INDEPENDENT AUDITORS' REPORT

HAMILTON COVE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

NOTE 3 REPLACEMENT FUND

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund. Since the actual costs are dependent upon the frequency of occurrence and future costs, there is no assurance that this fund is adequate.

A study of the Association's funding program for the replacement of Association common areas, conducted as of December 31, 2020, indicates the Association's ideal cash replacement fund balance was \$ 2,185,091 at that date. The study recommends a 2021 contribution to the replacement fund of \$ 301,017 (\$ 135.59 per owner per month). The 2021 budgeted contribution is \$ 200,000.

The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions. If actual replacement costs exceed funds available, or where replacement of common areas is necessary where no fund has been previously established, the Association has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.

NOTE 4 SBA PPP LOAN

During 2020, the Association received a loan in the amount of \$203,433 under the U.S. Small Business Association Paycheck Protection Program. The Association has filed its application for forgiveness. Once approved, the effect of the loan forgiveness will be recognized in 2021.

NOTE 5 INCOME TAXES

The Association is a corporation that is potentially taxable on all of its net income, including unspent member assessments. However, under state and federal filing elections, the Association may choose to be taxed only on its net non-membership income, which includes interest and cell tower income.

The State of California allows qualifying homeowner associations to file an election to be taxed under special rules. Under this election, income from members (such as assessments) is exempt from taxation.

Federal law offers a similar election, which must be made annually. However, net non-membership income under this election is taxed at a flat rate of 30%. If the Association chooses to file as a regular corporation, it may still exclude from taxation its net membership income by making certain elections. Tax at the regular corporate tax rate is generally lower. Some of these elections, however, have come under IRS attack and certain issues are yet to be clarified.

In 2020, the Association filed as a regular corporation for federal taxes, since it had an excess of maintenance expenses over membership source income. That excess may be carried over to future periods to offset future membership source income when the Association files as a regular corporation. This election is not related to the issues involved in the recent IRS audits.

Regardless of how the Association files its taxes, non-membership income (interest) may not be offset with membership expenses (such as common area maintenance costs). That is why the Association's taxable income can be greater than its net income as recorded in the financial statements.

SEE INDEPENDENT AUDITORS' REPORT

HAMILTON COVE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

NOTE 5 INCOME TAXES (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2016.

Federal and California income taxes have been accrued based on the taxable portion of the income reported in the accompanying financial statements. Income taxes for the current year were:

2020 INCOME TAXES	FEDERAL	STATE TAX	STATE FEE	TOTAL
Income Taxes	\$ 2,440	\$ 1,514	\$ -	\$ 3,954
Less: Credit from prior year return	-	(46)	-	(46)
Less: Estimated payments	(2,404)	(976)	-	(3,380)
Income tax payable	\$ 36	\$ 492	\$ -	\$ 528

NOTE 6 ASSESSMENTS

For the first six months of 2020, assessments were billed at a rate of \$ 930 per unit per month. Effective July 1, 2021, the rate decreased to \$ 885 per unit per month. The rate is budgeted to remain at \$ 885 per unit per month for 2021.

NOTE 7 LAND PURCHASE

In January 2010, the Association acquired the land on which the existing buildings are located, including the beach area, and all of the improvements including all of the buildings, subject to 185 individual subleases, for \$8,325,000 plus costs and fees of \$256,569. Subsequently, the Association immediately transferred undivided fractional fee interests in the land and the improvements and fee title to their condominiums to 119 owners who exercised the option to purchase in full. In the process, the subleases of those 119 owners were cancelled. Sixty-six owners remained sub-lessees of the Association.

The Association obtained a loan, in the amount of \$3,215,000, to finance the purchase. The remaining sub-lessee owners participate in the Master Land Loan (MLL), which has the following terms: 15 year note; monthly payments consisting of principal and interest; annual interest rate of 6.25%, adjustable every five years; final payment of all unpaid principal and interest will become due on January 20, 2025; collateral on the loan is the title to the land and improvements. Sub-lessee owners pay \$419.67 per month in lieu of the rent called for by their subleases. Upon payment in full of his/her pro-rata share, the Association transfers an undivided fractional fee interest in the land and improvements and fee title to their condominiums. As of December 31, 2020, there were still 16 owners under the MLL; monthly principal and interest payments on the MLL were \$6,145.88.

NOTE 8 RELATED PARTY TRANSACTIONS

The Association has entered into a legal services agreement with a law firm of which the Board President is the managing partner. During 2020, the law firm was paid \$30,198 in costs and fees for work in connection with unit transfers, refinancing, and other general legal services.

SEE INDEPENDENT AUDITORS' REPORT

HAMILTON COVE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

NOTE 9 INTERFUND ACCOUNT

An interfund account represents the amount one fund owes another fund. Various scenarios may cause this situation which include, but are not limited to, one fund paying the expenses of another fund, one fund borrowing from another fund, or the operating fund not paying the full annual budgeted contribution amount to the replacement fund.

NOTE 10 CONTINGENCY

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Association. However, the financial impact and duration cannot be reasonably estimated at this time.

NOTE 11 SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2020, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is April 30, 2021, which is the date on which the financial statements were issued.

SEE INDEPENDENT AUDITORS' REPORT

SUPPLEMENTAL INFORMATION

HAMILTON COVE HOMEOWNERS ASSOCIATION
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
DECEMBER 31, 2020
(UNAUDITED)

The board of directors contracted an independent consultant who conducted a October 12, 2020 study, projected to December 31, 2020, to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements include an inflation factor of 2.25% and an interest rate of 1.50%.

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

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	2021 Funding Requirement	Recommended Fund Balances
Streets	1 year	\$ 417,893	\$ 16,599	\$ 403,242
Roofs	1 year	32,761	1,440	41,387
Painting	2 years	76,384	23,260	38,192
Fencing	2 to 4 years	140,179	26,706	127,799
Beach Area	2 to 20 years	496,590	56,014	255,447
Clubhouse	0 to 40 years	299,459	43,158	230,529
Pool/Spa	1 to 5 years	110,836	13,915	96,231
Tennis Courts	3 years	10,650	2,175	5,325
Building 10	4 years	12,210	1,881	10,890
Decks	2 years	66,000	20,098	66,000
Equipment	0 to 28 years	281,830	18,823	127,188
Irrigation/Motors	0 to 19 years	287,350	20,659	188,792
Grounds	0 years	55,420	5,950	55,420
Termite Control	0 to 5 years	493,264	35,703	434,597
Contingency	n/a	-	14,636	104,052
		<u>\$ 2,780,826</u>	<u>\$ 301,017</u>	<u>\$ 2,185,091</u>

As shown above, the study recommends a replacement fund balance of \$2,185,091 as of December 31, 2020 and contributions to reserves of \$301,017 during 2021. The Association's replacement fund balance at December 31, 2020 was \$1,264,279 or 57.86% of the recommended fund balance.

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION