

**WINNERS CIRCLE BEACH AND TENNIS RESORT  
TIME SHARE CONDOMINIUM OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
Winners Circle Beach and Tennis Resort  
Time Share Condominium Owners Association

Report on the Financial Statements

I have audited the accompanying financial statements of Winners Circle Beach and Tennis Resort Time Share Condominium Owners Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses and changes in fund balances, 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 the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Winners Circle Beach and Tennis Resort Time Share Condominium Owners Association as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on Page 19 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Matters

A current study of the Association's replacement funding program indicates that the Association is underfunded. Accordingly, it may be necessary to increase assessments, pass special assessment(s), or delay repair or replacement obligations in the future if sufficient funds are not available.

  
SCHONWIT & ASSOCIATES  
Costa Mesa, California

August 4, 2020

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**BALANCE SHEET  
DECEMBER 31, 2019**

**ASSETS**

	Operating Fund	Replacement Fund	Combined
Cash	\$ 939,007	\$ 758,127	\$ 1,697,134
Investments in held to maturity certificates of deposit (Note 5)	350,000	1,246,000	1,596,000
Accounts receivable:			
Assessments	714,734	460,745	1,175,479
Other	48,762	-	48,762
Prepaid expenses	82,306	-	82,306
Accrued interest receivable	244	10,013	10,257
Renovation in progress	-	226,564	226,564
Property, furniture and equipment, at cost (net of \$138,785 accumulated depreciation)	92,006	-	92,006
Due from Condominium Association (Note 11)	-	171,908	171,908
Due from/(to) other funds	114,740	(114,740)	-
Total assets	<u>\$ 2,341,799</u>	<u>\$ 2,758,617</u>	<u>\$ 5,100,416</u>

**LIABILITIES AND FUND BALANCES**

Accounts payable	105,569	-	105,569
Accrued expenses & other liabilities	86,721	-	86,721
Deferred assessments	2,264,272	1,300,208	3,564,480
Contract liability: owners assessments (Note 3)	-	1,417,674	1,417,674
Total liabilities	<u>2,456,562</u>	<u>2,717,882</u>	<u>5,174,444</u>
Fund balances	<u>(114,763)</u>	<u>40,735</u>	<u>(74,028)</u>
Total liabilities and fund balances	<u>\$ 2,341,799</u>	<u>\$ 2,758,617</u>	<u>\$ 5,100,416</u>

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

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Operating Fund	Replacement Fund	Combined
Revenues:			
Assessments	\$ 1,810,869	\$ 2,240,968	\$ 4,051,837
Room revenue and other	648,910	-	648,910
Interval sales (Note 4)	13,725	-	13,725
Tennis club revenue	22,297	-	22,297
Interest	11,817	56,286	68,103
	<u>2,507,618</u>	<u>2,297,254</u>	<u>4,804,872</u>
Total revenues			
Expenses:			
Operating expenses	1,902,041	-	1,902,041
Administrative and general expenses	705,258	-	705,258
Income taxes	11,784	16,956	28,740
Courtyard renovation & pool area	-	1,506,773	1,506,773
Elevator renovation	-	498,511	498,511
HVAC & related	-	15,287	15,287
Fire sprinkler system	-	70,550	70,550
Recreation area	-	55,368	55,368
Unit appliances	-	21,293	21,293
Unit linens	-	18,984	18,984
Other repairs & replacements	-	3,667	3,667
Total expenses	<u>2,619,083</u>	<u>2,207,389</u>	<u>4,826,472</u>
Excess of revenues over/(under) expenses before depreciation	(111,465)	89,865	(21,600)
Depreciation	27,504	-	27,504
Excess of revenues over/(under) expenses	<u>(138,969)</u>	<u>89,865</u>	<u>(49,104)</u>
Fund balances, beginning of year	(48,267)	-	(48,267)
Fund transfer (Note 2)	50,535	(50,535)	-
Equity transfer - Condo Association (Note 11)	21,938	1,405	23,343
Fund balances, end of year	<u>\$ (114,763)</u>	<u>\$ 40,735</u>	<u>\$ (74,028)</u>

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

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Operating Fund	Replacement Fund	Combined
Cash flows(used) by operating activities:			
Excess of revenues over/(under) expenses	\$ (138,969)	\$ 89,865	\$ (49,104)
Adjustments to reconcile above to net cash provided by operating activities			
Depreciation	27,504	-	27,504
Accounts receivable:			
Assessments	25,108	39,593	64,701
Other	(543)	-	(543)
Condominium Association	145	(171,908)	(171,763)
Prepaid expenses	9,537	-	9,537
Accrued interest receivable	541	2,147	2,688
Renovation in progress	-	(226,564)	(226,564)
Accounts payable	(3,766)	-	(3,766)
Accrued expenses	2,807	-	2,807
Deferred assessments	31,284	(156,172)	(124,888)
Decrease in contract liability (Note 3)	-	(987,918)	(987,918)
Net cash used by operating activities	<u>(46,352)</u>	<u>(1,410,957)</u>	<u>(1,457,309)</u>
Cash flows from investing activities:			
Acquisition of certificates of deposit	(800,000)	(1,091,000)	(1,891,000)
Maturities in certificates of deposit	900,000	2,045,000	2,945,000
Acquisition of equipment	(61,747)	-	(61,747)
Net cash flows from investing activities	<u>38,253</u>	<u>954,000</u>	<u>992,253</u>
Cash flows from financing activities:			
Fund transfer	50,535	(50,535)	-
Equity transfer - Condo Association (Note 11)	21,938	1,405	23,343
Change in due from/(to) other funds	(36,533)	36,533	-
Net cash flows from financing activities	<u>35,940</u>	<u>(12,597)</u>	<u>23,343</u>
Net increase/(decrease) in cash	27,841	(469,554)	(441,713)
Cash at beginning of year	911,166	1,227,681	2,138,847
Cash at end of year	<u>939,007</u>	<u>758,127</u>	<u>1,697,134</u>

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

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**Note 1:        ASSOCIATION AND MEMBERSHIP**

Winners Circle Beach and Tennis Resort Time Share Condominium Owners Association (the "Association") was incorporated on December 21, 1982 as a California mutual benefit corporation with the specific and primary purpose of promoting the interests and welfare of the owners of vacation plans situated in the project known as Winners Circle Beach and Tennis Resort in Solana Beach, California. The Association is comprised of 4,794 Class A memberships, each of which is entitled to one vote.

In accordance with the Association's bylaws, each vacation plan owner is subject to basic, special, and personal charge assessments by the Association.

Each vacation plan owner is also a member of the Winners Circle Beach and Tennis Resort Condominium Association ("Condominium Association"). The Condominium Association's primary purpose is to manage and maintain the common areas and building exteriors of Winners Circle Beach and Tennis Resort.

**Note 2:        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Fund Accounting

The Association uses 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 generally at the discretion of the Board of Directors and property manager pursuant to the approved operating budget. Disbursements from the replacement fund are only at the discretion of the Board of Directors and generally may be made for designated major repairs and replacements as discussed further under Replacement Fund and Fund Transfers.



**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Assessments, Assessments Receivable, and Deferred Assessments**

Association members are subject to paying assessments to fund for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association's governing documents provide for various collection remedies for delinquent assessments.

Under the new revenue recognition standard of ASC 606 [Note 4], the Association (considered an entity) has a performance obligation to the unit owners (customers). The Association's approved annual Operating Fund budget establishes the maintenance, management, and administrative services it is obligated to perform, and such services can be bundled together as a single commercial objective and a single performance obligation. The budget establishes an implied contract price, and because these services are provided for within an annual cycle, the respective Operating Fund assessments are considered revenue for the current period.

Performance obligations related to Replacement Fund assessments are satisfied when these financial resources are expended for their designated purpose. Accordingly, the reported Replacement Fund assessments for a given year will be increased or decreased to match the expenditures for the year.

Under ASC 606, assessments and other fees that cannot be collected with certainty are now charged against the respective revenue rather than bad debt expense. Bad debt expense will still be used to account for uncollectible receivable balances that were recorded in prior periods.

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capitalization Policy and Depreciation

In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. Replacements and improvements to the real property which are directly associated with the units are also not capitalized. They are instead charged directly to either operating or replacement funds in the period they are incurred.

Significant capital assets are not directly associated with the units, referred to as personal property assets, are capitalized and depreciated over their estimated useful life using the straight line method of depreciation. During the year ended December 31, 2019, the Association capitalized personal property totaling \$50,535.

Depreciation is charged to expense using the straight-line method over a period of 5-7 years.

Assessments, Assessments Receivable, and Deferred Assessments

For the year ended December 31, 2019, each vacation membership owner was assessed \$813, inclusive of the replacement fund assessment discussed below. The 2020 annual assessment, which is budgeted at \$825, inclusive of the replacement fund assessment, is included in deferred assessments until earned.

Allowance for Doubtful Accounts

It is the Association's policy to write off past due balances at the end of the year for assessments billed in the previous year. Correspondingly, any bad debt recovery is included in this account. During 2019, the Association has written off \$663,198 of 2019 assessments billed in 2018 and has received \$15,273, representing recoveries of bad debts previously written off. Accordingly, assessments receivable at December 31, 2019 consist principally of advance assessment billings for the year ending December 31, 2020 and an allowance for doubtful accounts has not been established as of December 31, 2019. In accordance with ASC 606 bad debt expense is now deducted directly against the related revenue.

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Replacement Fund**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

In 2019 the Association's replacement funds were subject to studies 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 3% and interest of 0.50% on amounts funded for future major repairs and replacements. Accordingly, the studies recommend an annual funding provision of \$1,458,756 for the Association and \$132,300 for the Condominium Association. The table included in the Unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, 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 the governing documents, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Fund transfers**

As replacement fund cash is disbursed for Board approved capital expenditures, the assets are capitalized in the operating fund and the related replacement fund balances are transferred to the operating fund in accordance with industry practice.

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Subsequent Events

Subsequent events have been evaluated through August 4, 2020, which is the date the financial statements were available to be issued.

**Note 3: CONTRACT LIABILITY**

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations which specifically pertains to Replacement Fund assessments. The contract liability balance at the beginning of the year and end of the year was \$0 and \$1,417,674 (which includes the contract liability of the Condominium Association – per the merger discussed in Note 11), respectively.

**Note 4: REVENUE RECOGNITION**

The Financial Accounting Standards Board (FASB) issued new guidance in the Accounting Standards Codification (ASC) Topic 606 Revenue from Contracts with Customers. FASB ASC 606 is a new revenue recognition standard that affects businesses that enter into contracts with customers to transfer goods and services, including public, private and non-public entities. The purpose of the standard is to eliminate variations in the way businesses across industries handle accounting for similar transactions. FASB ASC 606 went into effect for annual reporting periods beginning after December 15, 2018. FASB ASC 606 supersedes the revenue recognition requirements of FASB ASC 972-605 and most industry-specific revenue guidance in the FASB ASC, including the accounting guidance that Common Interest Realty Associations (CIRA's) followed in previous years.

The Association has adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to the beginning fund balance. Adoption of the new guidance resulted in changes to our accounting policies for assessments and contract liability [discussed in Notes 2 and 3]. As such, financial information provided in these financial statements will not be comparable to previously issued financial statements.

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 4: REVENUE RECOGNITION (continued)**

The adoption of the new revenue recognition guidance resulted in the following change to fund balances as of January 1, 2019:

	<u><b>Operating Fund</b></u>	<u><b>Replacement Fund</b></u>	<u><b>Total</b></u>
Fund balances, as previously reported at January 1, 2019	\$ (48,267)	\$ (2,405,592)	\$ (2,453,859)
Adjustment	<u>--</u>	<u>2,405,592</u>	<u>\$ 2,405,592</u>
Fund balances, as adjusted at January 1, 2019	<u>\$ (48,267)</u>	<u>\$ --</u>	<u>\$ (48,267)</u>

The effect of the adoption is an decrease in 2019 assessments by \$1,578,509 and a recorded contract liability at December 31, 2019 of \$1,417,674. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires disclosure of the effect of applying the new guidance on each item included in these financial statements. The following items that were affected on the balance sheet as of December 31, 2019 are as follows:

	<u><b>Amounts That Would Have Been Reported</b></u>	<u><b>Effects of Applying New Guidance</b></u>	<u><b>As Reported</b></u>
<b>LIABILITIES</b>			
Contract liability [Note 4]	<u>\$ --</u>	<u>\$1,417,674</u>	<u>\$ 1,417,674</u>
Total Liabilities	3,756,770	1,417,674	5,174,444
<b>FUND BALANCES</b>			
	<u>3,756,770</u>	<u>(1,417,674)</u>	<u>(74,028)</u>

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019

Note 4: REVENUE RECOGNITION (continued)

The following items that were affected on the statement of revenues, expenses, and changes fund balances and the statement of cash flows for the year ended December 31, 2019 are as follows:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<b>REVENUES</b>			
Member assessments	\$ 2,902,828	\$1,149,009	\$ 4,051,837
<b>EXCESS OF REVENUES OVER EXPENSES</b>			
<b>CASH FLOWS</b>			
Excess of revenues over expenses	\$(1,170,609)	\$1,149,009	\$ (21,600)
Decrease in contract liability	--	(987,918)	(987,918)

Note 5: INVESTMENTS IN HELD TO MATURITY CERTIFICATES OF DEPOSIT

The investments are considered to be held to maturity and are carried at amortized cost, which approximates the fair value. At December 31, 2019 the Association's investments are as follows:

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>
Certificates of deposit, due in 2020	\$350,000	\$ 846,000
Certificates of deposit, due in 2021	-	300,000
Certificates of deposit, due in 2022	<u>-</u>	<u>100,000</u>
Total	<u>\$350,000</u>	<u>\$1,246,000</u>

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 6: VACATION PLAN INTERVALS HELD FOR SALE**

As of December 31, 2019, the Association owns 517 vacation intervals, all of which are held for sale. A majority of the intervals were acquired through a settlement agreement with the Developer regarding past due balances owed from the Developer. The settlement agreement included a provision whereby the Association received all rights, title and interest in these intervals. A value has not been assigned to these vacation intervals in the financial statements.

**Note 7: MANAGEMENT AGREEMENT**

The Association is operated under a management agreement with a professional property management company, Vacation Resorts International, a California corporation. Compensation for management services is based on the Association's approved annual operating budget. The Association's management budget is within guidelines established by the Department of Real Estate

**Note 8: INCOME TAXES**

In 2019 the Association elected to file as a timeshare association in accordance with Internal Revenue Code section 528. Under that section, the Association is able to exclude from taxation exempt function income, which generally consists of revenue from assessments to members. The Association's investment income (interest) and other nonexempt income were subject to tax. For California state tax purposes income is taxed similarly, subject to a minimum tax of \$800. For 2019 the federal and California income tax expense totaled \$22,049 and \$6,691 respectively.

The Association utilizes the liability method of accounting for income taxes. Under the liability, deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Because there is no material difference between the financial accounting and tax basis of the Association's assets and liabilities, the Association has not recorded any deferred tax assets or liabilities.

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 8: INCOME TAXES (continued)**

The Association adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Association has analyzed tax positions taken for filing with the Internal Revenue Service and California where it operates. The Association believes that the income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations, or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2019.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association believes it is no longer subject to income tax examinations for years prior to 2015.

The Association's policy is to classify income tax related interest and penalties, if incurred, as other administrative expenses.

**Note 9: CONCENTRATION OF RISK**

Vacation West Services owns 607 vacation intervals which represents a significant concentration of credit risk. Although normal collection procedures are available on assessments billed to Vacation West Services, failure to collect assessments from the above company could affect the Association's operations.

**Note 10: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid for income taxes totaled \$21,800 for the year ended December 31, 2019. No interest was paid and there were no non-cash investing or financing transactions during fiscal 2019.



**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019**

**Note 11:       MERGER OF CONDOMINIUM ASSOCIATION**

During the year, the Board of Directors (and pursuant to an affirmative vote of the owners) approved the merger of the Winners Circle Beach and Tennis Resorts Condominium Association's operations into the Association for reporting and operating purposes. Due to a redundancy of administrative efforts and costs, it was no longer deemed necessary to maintain two separate operations.

This Merger was recorded as of December 31, 2019 as an "equity transfer" of The Condominium's "net assets". Accordingly, the gross assets (except for the cash and investment balances which were transferred to the Association in early 2020) and liabilities of The Condominium Association are now reported on The Association's balance sheet as of December 31, 2019.

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

My report on my audit of the basic financial statements of Winners Circle Beach and Tennis Resort Time Share Condominium Owners Association for the year ended December 31, 2019 appears on pages 3 and 4. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information of actual and budgeted revenues and expenses of the operating fund on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
SCHONWIT & ASSOCIATES  
Costa Mesa, California

August 4, 2020

**WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE  
CONDOMINIUM OWNERS ASSOCIATION**

SUPPLEMENTARY INFORMATION  
ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2018  
(Unaudited)

Replacement studies were conducted in 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates are also based upon the experience and knowledge of the Board of Directors and Vacation Resorts International.

The following table was based on the combined studies and presents significant information about the components of common property for the Time Share Association and Condominium Association.

<u>Common Area Component</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Cost</u>	<u>2020 Recommended Funding Requirement</u>	<u>Study's Recommended Replacement Fund Balance At 1/1/2020</u>
Building and equipment	0-20 years	\$8,320,103	\$896,273	\$4,321,940
Furniture and fixtures	0-12 years	1,783,092	192,079	926,239
Common area/ recreation	0-13 years	1,590,261	171,309	826,072
Other common areas	1-8 years	1,453,734	156,602	755,162
Condo Association components	0-20 years	1,444,434	132,300	867,368
Contingency	N/A years	<u>          -</u>	<u>      42,493</u>	<u>     204,889</u>
Total		<u>\$14,591,624</u>	<u>\$1,591,056</u>	<u>\$7,901,670</u>

Financial resources available for future major repair and replacement obligations at 12/31/2019	\$1,458,409
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# WINNERS CIRCLE BEACH AND TENNIS RESORT TIME SHARE CONDOMINIUM OWNERS ASSOCIATION

## SUPPLEMENTARY INFORMATION OF ACTUAL AND BUDGETED REVENUES AND EXPENSES OF THE OPERATING FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	Actual	Budget	Variance to Budget *
Revenue			
Assessments	** \$ 1,810,869	** \$ 2,345,857	\$ (534,988)
Room revenue & other	648,910	668,500	(19,590)
Interval sales (Note 4)	13,725	30,000	(16,275)
Tennis club revenue	22,297	22,037	260
Interest	11,817	800	11,017
Total revenue	2,507,618	3,067,194	(559,576)
Operating expenses			
Salaries & wages	1,052,702	1,036,075	(16,627)
Payroll taxes & benefits	370,966	393,118	22,152
Utilities	157,511	163,753	6,242
Cable TV	42,603	44,400	1,797
Telephone/internet	20,143	31,200	11,057
Guest/cleaning supplies	126,878	152,500	25,622
Repairs, maintenance, and pest control	85,387	83,500	(1,887)
Landscaping supplies	9,772	13,000	3,228
Pool/spa	10,180	12,000	1,820
HOA activities/security	16,687	13,500	(3,187)
Shuttle bus	9,212	12,000	2,788
Total operating expenses	1,902,041	1,955,046	53,005
Administrative and general expenses			
Income taxes	11,784	11,000	(784)
Property taxes	31,887	10,040	(21,847)
Insurance	117,913	112,323	(5,590)
Accounting/bookkeeping	3,400	3,200	(200)
Office/misc expense	47,958	42,168	(5,790)
Credit card fees	51,323	50,000	(1,323)
Assessment billing	31,737	31,736	(1)
Management fee	286,921	286,921	-
Foreclosure	63,864	10,000	(53,864)
HOA mailings/printing	15,518	23,000	7,482
Replacement study	1,500	1,800	300
Marketing expenses	38,800	15,000	(23,800)
Directors meeting expense	2,787	3,800	1,013
ABC Policy Funding	6,243	6,920	677
Legal	5,407	1,000	(4,407)
Total administrative and general expenses	717,042	1,112,148	395,106
Excess of expenses over revenues before depreciation	\$ (111,465)	-	\$ (111,465)

\* Favorable/(unfavorable)

\*\*Net of bad debt expense