

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
GARDEN CITY, SOUTH CAROLINA**

REPORT OF INDEPENDENT AUDITORS

*FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019*

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
GARDEN CITY, SOUTH CAROLINA**

CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS	1 - 2
FINANCIAL STATEMENTS	
Statements of assets, liabilities and fund balances - modified cash basis	3
Statements of revenues, expenses and changes in fund balances - modified cash basis	4 - 6
Statements of cash flows - modified cash basis	7
Notes to financial statements	8 - 13

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Members
Atalaya Towers Homeowner's Association, Inc.
Garden City, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Atalaya Towers Homeowner's Association, Inc., which comprise the statement of assets, liabilities and fund balances – modified cash basis as of December 31, 2020, and the related statements of revenues, expenses and changes in fund balances – modified cash basis and cash flows – modified cash basis 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 modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

(Continued)

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REPORT OF INDEPENDENT AUDITORS

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of Atalaya Towers Homeowner's Association, Inc. as of December 31, 2020, and its revenues, expenses and changes in fund balances and cash flows for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

Note 1 of the financial statements describes the basis of accounting. As described in that note, these financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report of Summarized Comparative Information

As described in Note 1, we have previously audited Atalaya Towers Homeowner's Association, Inc.'s 2019 financial statements, and our report dated September 23, 2020 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Management has omitted supplementary information about future major repairs and replacements 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 basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Deborah M Weir, CPA, LLC

Myrtle Beach, South Carolina
March 9, 2021

ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES -
MODIFIED CASH BASIS

December 31, 2020

(With Summarized Comparative Information at December 31, 2019)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
ASSETS				
Cash and cash equivalents (Notes 1 and 6)	\$ 189,677	\$ 233,842	\$ 423,519	\$ 366,167
Due from Operating Fund	-	7,650	7,650	11,383
Due (to) Replacement Fund	(7,650)	-	(7,650)	(11,383)
Due from affiliated association	42	-	42	7,518
Prepaid expenses	1,225	-	1,225	1,365
Land (Note 1)	372,853	-	372,853	372,853
TOTAL ASSETS	\$ 556,147	\$ 241,492	\$ 797,639	\$ 747,903
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 858	\$ 29,950	\$ 30,808	\$ 6,728
Income taxes payable (Note 4)	2,344	-	2,344	2,035
Prepaid maintenance fees (Note 3)	57,773	7,250	65,023	67,878
TOTAL LIABILITIES	60,975	37,200	98,175	76,641
FUND BALANCES	495,172	204,292	699,464	671,262
TOTAL LIABILITIES AND FUND BALANCES	\$ 556,147	\$ 241,492	\$ 797,639	\$ 747,903

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS

For the Year Ended December 31, 2020

(With Summarized Comparative Information for the Year Ended December 31, 2019)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
REVENUES				
Maintenance assessments and fees (Note 3):				
Regular	\$ 359,150	\$ 128,000	\$ 487,150	\$ 478,400
Insurance	76,800	-	76,800	75,280
Special	-	40,000	40,000	40,000
Late fees and interest charges	1,048	-	1,048	1,250
Interest income	-	37	37	42
Insurance claim proceeds - hurricane damage (Note 7)	-	3,342	3,342	97,507
Merchandise sales	-	-	-	300
Rental income - cellular tower	2,500	-	2,500	2,500
Vending income	376	-	376	297
Miscellaneous income	2,039	-	2,039	-
TOTAL REVENUES	441,913	171,379	613,292	695,576
EXPENSES				
Repairs and maintenance				
Building maintenance and supplies	12,880	-	12,880	13,388
Contract maintenance services	12,652	-	12,652	26,800
Contract service agreements - HVAC, elevator and fire systems	14,421	-	14,421	21,009
Landscape and grounds materials and supplies	2,777	-	2,777	2,152
Pool maintenance, supplies and repairs	9,213	-	9,213	8,116
Uniforms	209	-	209	135
Total repairs and maintenance expenses	52,152	-	52,152	71,600
Leases, contracts and fixed expenses				
Income taxes (Note 4)	2,344	-	2,344	419
Insurance	76,526	-	76,526	71,197
Office equipment lease (Note 5)	516	-	516	574
Pest control	9,339	-	9,339	8,048
Property taxes	611	-	611	10
Security services	1,010	-	1,010	2,168
Total leases, contracts, and fixed expenses	90,346	-	90,346	82,416
General and administrative				
Auditing services	2,400	-	2,400	2,300
Bank service charges and lockbox fees	132	-	132	1,185
Board of Directors and meeting expenses	632	-	632	3,244
Computer equipment	4,564	-	4,564	2,150
Courier services	1,200	-	1,200	1,562
Management fees	20,160	-	20,160	20,160
Office supplies and expenses	1,232	-	1,232	1,616

(Continued)

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ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS

For the Year Ended December 31, 2020
(With Summarized Comparative Information for the Year Ended December 31, 2019)

(Continued)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
EXPENSES (Continued)				
General and administrative (Continued)				
Other taxes and licenses	\$ 604	\$ -	\$ 604	\$ 425
Miscellaneous expenses	144	-	144	37
Total general and administrative expenses	<u>31,068</u>	<u>-</u>	<u>31,068</u>	<u>32,679</u>
Salaries, wages and related employee expenses				
Salaries:				
Administrative and guest services	41,341	-	41,341	35,888
Housekeeping	516	-	516	-
Maintenance	75,833	-	75,833	61,014
Payroll taxes and related employee expenses	<u>23,106</u>	<u>-</u>	<u>23,106</u>	<u>23,400</u>
Total salaries, wages and related employee expenses	<u>140,796</u>	<u>-</u>	<u>140,796</u>	<u>120,302</u>
Utilities				
Cable television service	27,404	-	27,404	26,028
Electricity	13,398	-	13,398	15,178
Fuel	7,817	-	7,817	8,722
Telephone and answering services	4,268	-	4,268	2,782
Trash removal	7,531	-	7,531	9,388
Water and sewer	<u>37,325</u>	<u>-</u>	<u>37,325</u>	<u>29,872</u>
Total utilities expenses	<u>97,743</u>	<u>-</u>	<u>97,743</u>	<u>91,970</u>
Major repairs and replacements (Note 6)				
Electrical repairs - surge suppressor installations	-	20,490	20,490	-
Elevator repairs	-	3,511	3,511	67,480
Exterior building, balconies and stairwell waterproofing, sealing and painting	-	136,295	136,295	46,064
Fencing replacements	-	-	-	10,010
Fire and exit door replacements	-	3,241	3,241	5,726
Hurricane damage repairs (Note 7)	-	-	-	29,768
HVAC maintenance	-	-	-	6,825
Parking lot resealing and restriping	-	-	-	5,940
Pool and spa repairs:				
Chlorinator replacement	-	-	-	2,390
Equipment repairs	-	4,105	4,105	-
Heater replacements	-	-	-	7,257

(Continued)

*The accompanying Notes to Financial Statements are
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**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS**

For the Year Ended December 31, 2020

(With Summarized Comparative Information for the Year Ended December 31, 2019)

(Continued)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
EXPENSES (Continued)				
Major repairs and replacements (Continued) (Note 6)				
Stormwater management:				
Asphalt resealing	\$ -	\$ -	\$ -	\$ 6,872
Drainage repairs	-	-	-	46,740
Other professional services - engineering and surveying	-	-	-	450
Other major repairs and replacements expenses	-	5,343	5,343	2,872
Total major repairs and replacements expenses	-	172,985	172,985	238,394
TOTAL EXPENSES	412,105	172,985	585,090	637,361
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	29,808	(1,606)	28,202	58,215
Beginning fund balances	465,364	205,898	671,262	613,047
ENDING FUND BALANCES	\$ 495,172	\$ 204,292	\$ 699,464	\$ 671,262

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
For the Year Ended December 31, 2020
(With Summarized Comparative Information for the Year Ended December 31, 2019)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 29,808	\$ (1,606)	\$ 28,202	\$ 58,215
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash and cash equivalents provided (used) by operating activities:				
(Increase) decrease in:				
Interfund balances	(3,733)	3,733	-	-
Due from affiliated association	7,357	119	7,476	(7,518)
Prepaid expenses	140	-	140	(400)
Increase (decrease) in:				
Accounts payable and accrued expenses	(3,885)	27,965	24,080	(15,593)
Due to affiliated association	-	-	-	(5,850)
Income taxes payable	309	-	309	(74)
Prepaid maintenance fees	(2,143)	(712)	(2,855)	64,880
NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>27,853</u>	<u>29,499</u>	<u>57,352</u>	<u>93,660</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>27,853</u>	<u>29,499</u>	<u>57,352</u>	<u>93,660</u>
CASH AND CASH EQUIVALENTS, at beginning of year	161,824	204,343	366,167	272,507
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 189,677</u>	<u>\$ 233,842</u>	<u>\$ 423,519</u>	<u>\$ 366,167</u>
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	\$ 1,061	\$ -	\$ 1,061	\$ 1,135

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization

Atalaya Towers Homeowner's Association, Inc. (the "Association") is a statutory homeowners association incorporated and existing under the laws of the State of South Carolina. The Association is responsible for maintaining and preserving common property, enforcing rules for mutual benefit, and providing other common services to Association members. Atalaya Towers is a condominium complex consisting of 80 residential units located in Garden City, South Carolina. Of the total residential units, 61 units are wholly owned and 19 units are committed to interval ownership (the "timeshare units"). The interval owners are also members of a separate regime, the Atalaya Towers Interval Owners Association, Inc., which administers and provides for the specific common expenses of the timeshare units. The Association was formed in 1985.

The following is a summary of the more significant accounting policies used in the preparation and presentation of the accompanying financial statements of the Association.

Basis of Accounting

The Association prepares its financial statements using the modified cash basis of accounting. This basis of accounting is a basis other than accounting principles generally accepted in the United States of America in that revenues are recognized when collected, rather than when earned (except for prepaid maintenance fees). Additionally, the Association does not recognize balances, and the effects on earnings, of assessments receivable from members. However, assets and liabilities arising from cash transactions are recognized. Modifications to the cash basis of accounting made by the Association in conjunction with preparing the accompanying financial statements include recording income tax provisions, if any, accounts payable and accrued expenses. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Association's governing documents provide 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. Accordingly, financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose. The Association's funds comprise:

Operating Fund - used to account for financial resources available for the general operations of the Association

Replacement Fund - used to accumulate financial resources designated for future major repairs and replacements

(Continued)

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of funds on hand, interest-bearing checking and money market accounts on deposit with financial institutions. The Association considers all certificates of deposit and highly liquid investment instruments, if any, with original maturities of less than 90 days to be cash equivalents.

Maintenance Assessments and Fees

Association members are subject to maintenance assessments and fees to provide funds for the Association's operating expenses and major repairs and replacements. The Association's policy is to impose late fees and interest charges on past due balances and engage in collection efforts on such delinquent balances. The annual budget and owners' maintenance assessments and fees are determined by the Board of Directors to provide for current operating expenditures and required replacement funds. The Association retains excess operating funds at the end of the year, if any, for use in the subsequent year.

The Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, superseding previously issued revenue recognition standards. The guidance requires the recognition of revenue when promised goods or services are transferred to Association members in an amount that reflects the consideration to which the Association expects to receive in exchange for those goods and services. The cornerstone in the application of the guidance is the performance obligations and affects the timing of revenue and expense recognition. The Association has evaluated the application of *Topic 606* and has determined that it will not have a significant impact over the Association's financial statements because the Association does not consider its owners as customers. Accordingly, the Association does not defer the recognition of any portion of revenue as a contract liability.

Common Property

Real property owned by the individual unit owners in common and improvements made by the Association to such property are not capitalized in the financial statements. All expenditures for real property common elements and improvements are reflected as an expense in the period incurred. Common property elements consist primarily of driveways and parking areas, landscape and green space areas, a boardwalk and indoor and outdoor swimming pool facilities.

Land

In 1991, the Association acquired a parcel of land. The land is stated at cost and is capitalized as it is deeded separately from the Association's common property. The Association capitalizes property to which it has title and records these assets at cost. Depreciation, if applicable, is computed over the estimated useful lives of the assets. Repairs and maintenance associated with capitalized property are charged to expense as incurred. Expenditures which substantially increase the useful lives of these assets are capitalized.

(Continued)

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE AND PURPOSE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations

Credit Risk – Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, consist primarily of bank accounts on deposit at financial institutions, with balances which may at times exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC). Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote.

Geographic – The Association is engaged in a single industry in a single location. Accordingly, the Association is subject to the normal risks and economic conditions in this area that any such entity is exposed, including the potential for business disruption due to hurricanes, acts of nature or other uncontrollable factors.

Summarized Comparative Information

The financial statements include certain prior period summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 9, 2021, the date the financial statements were available to be issued. Based on this evaluation, the Association is not aware of any subsequent events that require recognition or disclosure in the financial statements.

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. MAINTENANCE ASSESSMENTS AND FEES CHARGED TO OWNERS

Maintenance Fees and Insurance Assessment

Pursuant to the Association's governing documents, maintenance fees are allocated to the wholly owned unit owners in the proportions or percentages provided in those documents. The regular quarterly maintenance fee per unit owner was \$1,526 and \$1,495 in 2020 and 2019, respectively. Additionally, in 2020 all unit owners were assessed a quarterly fee of \$234 to help defray the Association's annual insurance costs. In 2019, all unit owners were assessed a quarterly insurance assessment amount of \$265 the first three quarters and \$146 the last quarter.

Special Assessment

In 2019, the Association's Board of Directors elected to levy a special assessment totaling \$4,500 per individual wholly owned unit owner, payable in quarterly installments of \$250, beginning the third quarter of 2019 and extending through the fourth quarter of 2023. The proceeds of the special assessment are to be used to help fund the costs of mechanical and electrical upgrades to the Association's elevators.

In response to the global pandemic and in recognition of potential owner hardships, the Association's Board of Directors elected to defer the 2020 third and fourth quarter installments of the aforementioned special assessment. The quarterly billings will resume January 2021 and the deferred installments will be added to the second quarter of 2024. (See also Note 8).

Interval Owners Assessments

As described in Note 1, the owners of the timeshare weeks are members of a separate regime but pay assessments and fees to the Association in support of the Atalaya Towers common properties. As such, the Association bills and receives quarterly fees from the Atalaya Towers Interval Owners Association, Inc. The 2020 quarterly fees were \$26,144 for each of the first two quarters and \$21,394 for each of the last two quarters and \$28,405 each quarter in 2019. The Association also bills and receives quarterly fees from the timeshare owners for their portion of the property insurance premiums. During 2020 and 2019, the Association collected \$4,446 for each of the first two quarters and \$4,674 the last two quarters and \$5,035 for each of the first three quarters and \$2,774 the last quarter, respectively. Additionally, during 2019, the Association billed and collected \$9,500 from the Atalaya Towers Interval Owners Association for its portion of the above special assessment.

NOTE 4. INCOME TAXES

Under the provisions of the Internal Revenue Code, the Association is allowed to elect each year to file as an eligible Section 528 homeowners association, thereby excluding exempt function income from taxation, or file as an ordinary taxable corporation. For the years ended December 31, 2020 and 2019, the Association filed as an eligible homeowners association.

(Continued)

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. INCOME TAXES (Continued)

The Association follows the accounting for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Association's tax filings are subject to audit by various taxing authorities; however, those returns prior to 2017 are generally no longer open to possible examination.

NOTE 5. OPERATING LEASE

In 2020, the Association entered into a 60 month operating lease agreement for office equipment, expiring in 2025. The lease costs are shared with the Atalaya Towers Interval Owners Association, Inc. Accordingly, under the lease agreement, the Association's monthly portion of the lease payment is approximately \$40. During 2020 and 2019, the total lease payments made were \$516 and \$574, respectively.

Future minimum lease payments under this lease agreement are as follows:

2021	\$ 475
2022	475
2023	475
2024	475
2025	40

NOTE 6. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide that the Association accumulate funds for future major repairs and replacements of the specific components of common property. The Association has not conducted a study to determine the estimated remaining useful lives of the common property and current estimates of costs of major repairs and replacements that may be required in the future. However, the Association has developed and maintains a Reserve Cash Flow Projection worksheet estimating income and expenses related to its common property. Although the Association has not developed a plan to fund those needs, it has included \$160,000 of funding for future major repairs and replacements within its 2021 budget. When replacement funds become necessary to meet future needs for major repairs and replacements, the Association has the right to increase maintenance fees, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future maintenance fees has not been determined at this time.

The Association does maintain a separate fund for the purpose of accumulating and segregating amounts to be used for future major repairs and replacements. At December 31, 2020 and 2019, the Association had accumulated Replacement Funds of \$241,492 and \$205,898, respectively. It is the Association's policy that interest earned is generally allocated to the Replacement Fund.

**ATALAYA TOWERS
HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. HURRICANE DAMAGES

On September 14, 2018, the South Carolina coastline was battered by a Category 1 storm, Hurricane Florence. As a result, the Atalaya Towers development suffered property damages and as such, the Association immediately engaged contractors to make necessary repairs to mitigate any further damages to the property and filed claims with its insurance carrier. During 2019, the Association received related insurance claim proceeds totaling \$97,507 and completed the repair work in 2019.

On September 5, 2019, another Category 1 storm, Hurricane Dorian, impacted the South Carolina coast which resulted in The Atalaya Towers development sustaining further property damage. The Association engaged contractors to complete the necessary repairs and incurred related costs of \$29,768 in 2019.

NOTE 8. GLOBAL PANDEMIC

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in Wuhan, China in December 2019 and was declared a pandemic by the World Health Organization in March 2020. In response to the global crisis and COVID-19 outbreak, both the United States of America and the State of South Carolina declared and issued states of emergencies beginning March 1, 2020 and March 13, 2020, respectively, and implemented enhanced screenings, quarantine requirements and travel restrictions.

The pandemic developed rapidly during 2020 with significant numbers of cases and in response to local governmental restrictions, the 19 units committed to interval ownership were not permitted to be utilized for short-term accommodations and rentals for a portion of the fiscal year. The full extent of the impact of the outbreak continues to evolve and the Association's management remains actively monitoring the situation and following governmental protocols to mitigate the effects of COVID-19 for the safety and health of the unit owners. Although the Association cannot estimate the duration and spread of the coronavirus, any impacts on the Association's operational and financial performance have not been significant. However, the potential effects of the coronavirus pandemic on the Association's future financial statements cannot be reasonably estimated and are unknown at this time. (See also Note 3).