VACATION VILLAS AT FANTASYWORLD TIME-SHARE OWNER'S ASSOCIATION, INC., AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2020

With Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members,
Vacation Villas at FantasyWorld Time-Share
Owner's Association, Inc., and Subsidiaries:

Report on the Consolidated Financial Statements

We were engaged to audit the accompanying consolidated financial statements of Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries (the "Association"), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries 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.

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Emphasis of Matters

Interfund Receivable

As discussed in Note 11 to the consolidated financial statements, the Association's operating fund owed the replacement fund $2,028,790 on December 31, 2020. The repayment of the interfund receivable due from the operating fund is dependent on the operating fund generating sufficient income to both cover the current expenses of the Association and to repay the replacement fund. Our opinion is not modified with respect to that matter.

Future Major Repairs and Replacements

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 11 are adequate to meet such future costs because that determination is outside the scope of our audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of consolidated revenues and expenses - operating fund on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of the Association's management and, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for that portion marked "unaudited," has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for that portion marked "unaudited," on which we express no opinion or any assurance, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of future major repairs and replacements on page 18 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

WithumSmith+Brown, PC

February 16, 2022

Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2020

	Operating Fund	Replacement Fund	Total
Assets			
Cash	$ 1,984,096	$ 1,500,490	$ 3,484,586
Restricted cash	13,949	-	13,949
Assessments receivable, net	245,870	-	245,870
Other receivables	164,883	-	164,883
Prepaid expenses and other assets	350,371	1,470	351,841
Property and equipment, net	4,137,205	-	4,137,205
Goodwill, net	850,365	-	850,365
Due from affiliates	847,503	-	847,503
Due (to) from other fund	(2,028,790)	2,028,790	-
Total assets	$ 6,565,452	$ 3,530,750	$ 10,096,202
Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued expenses	$ 289,880	$ -	$ 289,880
Prepaid assessments	2,549,899	-	2,549,899
Deferred deed back revenue	116,241	-	116,241
Real estate taxes payable	862,830	-	862,830
Contract liabilities for replacements	-	3,530,750	3,530,750
Insurance note payable	462,036	-	462,036
Notes payable	2,035,738	-	2,035,738
Total liabilities	6,316,624	3,530,750	9,847,374
Fund balance	248,828	-	248,828
Total liabilities and fund balance	$ 6,565,452	$ 3,530,750	$ 10,096,202

The Notes to Consolidated Financial Statements are an integral part of this statement.

Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries
Consolidated Statement of Revenues, Expenses, and Changes in Fund Balance
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Revenues			
Member assessments	$ 3,870,722	$ 318,005	$ 4,188,727
Financing and late charges	89,120	-	89,120
Bar revenues, resort fees and other	1,237,337	-	1,237,337
Rental income	1,894,542	-	1,894,542
Settlement income	122,000	-	122,000
Other rental program income	90,626	-	90,626
	7,304,347	318,005	7,622,352
Expenses			
Utilities	547,083	-	547,083
Housekeeping	944,168	-	944,168
Maintenance, repairs, and replacements	273,110	318,005	591,115
Salaries and related expenses	1,908,361	-	1,908,361
Administration and general	587,830	-	587,830
Resort management expense	569,580	-	569,580
Bad debt expense	356,210	-	356,210
Bar cost of sales	111,061	-	111,061
Depreciation and amortization	394,660	-	394,660
Master association fees	1,950,503	-	1,950,503
Association-owned interval expense	180,757	-	180,757
	7,823,323	318,005	8,141,328
Deficiency of revenues over expenses	(518,976)	-	(518,976)
Fund balance			
Beginning of year	767,804	-	767,804
End of year	$ 248,828	$ -	$ 248,828

The Notes to Consolidated Financial Statements are an integral part of this statement.

Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Operating activities			
Deficiency of revenues over expenses	$ (518,976)	$ -	$ (518,976)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities			
Bad debt expense	356,210	-	356,210
Depreciation	111,205	-	111,205
Amortization of goodwill	283,455	-	283,455
Changes in			
Assessments receivable	(433,749)	-	(433,749)
Other receivables	142,465	-	142,465
Prepaid expenses and other assets	437,086	69,090	506,176
Accounts payable and accrued expenses	(156,794)	-	(156,794)
Prepaid assessments	(99,969)	-	(99,969)
Deferred deed back revenue	(46,657)	-	(46,657)
Contract liabilities for replacements	-	549,250	549,250
Real estate taxes payable	(25,333)	-	(25,333)
Due to or from affiliates	138,940	-	138,940
Net cash provided by operating activities	187,883	618,340	806,223
Investing activities			
Capital expenditures	(223,890)	-	(223,890)
Net cash used in investing activities	(223,890)	-	(223,890)
Financing activities			
Interfund borrowings, net	93,667	(93,667)	-
Issuance of notes payable	543,842	-	543,842
Repayments of notes payable	(441,803)	-	(441,803)
Net cash provided by (used in) financing activities	195,706	(93,667)	102,039
Net change in cash and restricted cash	159,699	524,673	684,372
Cash and restricted cash			
Beginning of year	1,838,346	975,817	2,814,163
End of year	$ 1,998,045	$ 1,500,490	$ 3,498,535
Cash and restricted cash at end of year are comprised of the following:			
Cash	$ 1,984,096	$ 1,500,490	$ 3,484,586
Restricted cash	13,949	-	13,949
	$ 1,998,045	$ 1,500,490	$ 3,498,535
Supplemental disclosure of cash flow information			
Cash paid during the year for			
Interest	$ 136,648	$ -	$ 136,648
Supplemental disclosure of noncash investing and financing activities			
Note payable for insurance premiums	$ 462,036	$ -	$ 462,036

The Notes to Consolidated Financial Statements are an integral part of this statement.

1. ORGANIZATION AND PURPOSE

Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries (the "Association") was incorporated under the laws of the state of Florida as a not-for-profit corporation for the purpose of managing, operating, and maintaining a time-share resort located in Osceola County, Florida. Operations of the Association began on April 19, 1991, under the administration of Orlando Resort Development Group, Inc. (the "former Developer"). In November 2017, the former Developer assigned all rights and obligations of the Developer to the Association. On December 31, 2020, the Association consists of 10,660 weekly interval units of which approximately 1,193 were owned by the Association.

These consolidated financial statements include the operations of the Association and its wholly-owned subsidiaries, FantasyWorld Management Services, Inc. ("FMS") and FantasySurf, LLC ("FS"). FMS owns the rental unit and manages the Association (Note 8). FS owns the building that houses the resort's maintenance and housekeeping operations and also contains a kitchen used for servicing owners at the pool. In addition, this building can be utilized for retail activities when needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The activity of the wholly-owned subsidiaries is included in the operating fund.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

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.

Restricted Cash

Restricted cash consists of funds held in escrow for real estate taxes.

Assessment Revenue

Association owners are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. The Association's ability to collect assessments is affected by a variety of factors, including general economic conditions and each individual owner's financial capability. 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. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. 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. For the year ended December 31, 2020, variable consideration of $3,220,143 was considered to be constrained and excluded from revenue.

Rental Income

Rental income is recognized over the length of stay that an available room at the resort is occupied by the guest. Cash received from a guest prior to check-in is recorded as an advance deposit and is generally recognized as rental income upon occupancy or as other income upon expiration of the re-booking date in the event of a cancellation. Payment of any remaining balance is typically due from the guest upon check-out. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenues).

Assessments Receivable and Allowance for Doubtful Accounts

Assessments receivable represent amounts due from unit week owners for annual maintenance and real estate taxes. Assessments receivable for maintenance are stated at the amounts expected to be collected; therefore, no allowance for doubtful accounts is recorded. All assessments receivable are presented in the operating fund.

Assessments receivable for real estate taxes are considered delinquent when they are 30 days past due. The portion of receivables which is considered delinquent is charged against the allowance when all collection efforts have been exhausted. Factors which influence management's judgment in determining the appropriate allowance for doubtful accounts include past collection experience and industry standards. For the year ended December 31, 2020, bad debt expense for credit losses on real estate tax assessments was $356,210.

The balances of assessments receivable and the allowance for doubtful accounts on real estate tax assessments as of the beginning and end of the year are as follows:

	January 1, 2020	December 31, 2020
Assessments receivable	$ 1,431,860	$ 1,879,131
Less: Allowance for doubtful accounts on real estate tax assessments	1,263,529	1,633,261
Assessments receivable, net	$ 168,331	$ 245,870

Rental Program, Bar, and Restaurant Income

The Association's rental program income is primarily derived from the rental of Association-owned intervals and food and beverage sales. Revenue is recognized when the intervals are occupied, and services have been rendered.

Inventory of Time-Share Intervals
Inventory of time-share intervals is valued at the lower of cost or market, which approximates net realizable value. These intervals have been acquired by the Association through foreclosure proceedings related to unpaid assessments. As the inventory has no net realizable value, no value has been recorded on December 31, 2020.

Property and Equipment
Common property acquired from the Developer and others and related improvements to such property are not recognized in the Association's consolidated financial statements. Those properties are owned by the individual interval owners in common and not by the Association. Replacements, major repairs, and the purchase of additional commonly owned assets are accounted for as expenditures in the replacement fund.

Tangible property acquired for the maintenance and operation of the Association and its subsidiaries is capitalized in the consolidated financial statements.

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Description	Estimated Life (Years)
Buildings and the rental units	40
Furnishings, fixtures and equipment	3-7

The cost of additions and improvements which substantially extend the useful lives of property and equipment is capitalized. Repair and maintenance costs are charged to expense. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation expense was $111,205 for the year ended December 31, 2020.

Goodwill
Accounting principles generally accepted in the United States of America require that goodwill be tested for impairment when a triggering event has occurred that indicates that the fair value may be below its carrying value. Additionally, amortization over an appropriate period of up to 10 years is permissible. Management has determined that there have been no triggering events indicating possible impairment during the year ended December 31, 2020, and has elected a 10-year amortization period which began January 1, 2014.

Prepaid Assessments
Prepaid assessments consist of 2021 and future maintenance and tax assessments received by the Association in 2020. At December 31, 2020, prepaid assessments include amounts due to owners for real estate tax assessments billed in excess of taxes paid of $62,653.

Contract Liabilities for Replacements
The Association recognizes revenue from owners as the related performance obligations are satisfied. A contract liability for replacements is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments.

The balances of contract liabilities for replacements as of the beginning and end of the year are $2,981,500 and $3,530,750, respectively.

Deferred Deed Back Revenue

Deferred deed back revenue consists of 2021 and future revenue received by the Association as part of the five-year deed back program and the wind-down plan. For the five-year deed back program, the owners pay five years of maintenance fees and sign a deed back to the Association. In return, the owners receive five certificates of usage, but do not own the interval any longer. In lieu of the five-year deed back program, beginning in 2014, the Association offered the owners to return their intervals through the wind-down plan. In this plan, the owners determine the number of additional years of usage they would like currently ranging from 2020 through 2030. Based on the number of years of usage, they pay a fee to the Association as noted in the agreement and they sign a deed back to the Association. The owners are no longer responsible for the intervals and are not charged any additional maintenance fees, special assessments, or other charges. The revenue from these arrangements is recognized over the life of the contracts on the straight-line method adjusted for estimated increases in maintenance costs.

Deferred Payroll Taxes (COVID-19)

The Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security Act ("CARES") were signed into law on March 18, 2020 and March 27, 2020, respectively, to address the impact of COVID-19. The CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security taxes for pay periods beginning on March 27, 2020 and ending on December 31, 2020. Half of the deferred tax repayments are required to be paid on December 31, 2021, and the remaining balance is required to be paid by December 31, 2022. At December 31, 2020, the Association recorded deferred payroll taxes of $49,275, which is included in accounts payable and accrued expenses.

Income Taxes

For the year ended December 31, 2020, the Association elected to be taxed as a regular corporation. Membership income is exempt from taxation if certain elections are made. Consequently, the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate tax rates. When applicable, interest and penalties will be reflected as a component of income tax expense.

Risks and Uncertainties

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative impact on the Association's financial position, results of its operations, and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Advertising Costs

All costs associated with advertising and promoting the resort and other operations are expensed in the year incurred. Advertising expense for the year ended December 31, 2020, was $110,337.

Valuation of Long-Lived Assets

The Association reviews long-lived assets, including property and equipment, for impairment whenever events and changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no impairment loss was required to be recognized for the year ended December 31, 2020.

Settlement Revenue

The Association received a settlement of $122,000 related to a prior settlement with the prior Developer. The amount is in consideration for a modification to the original agreement in 2017.

Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which supersedes existing lease accounting standards. Together with subsequent amendments, this created ASC Topic 842 ("ASC 842"). ASC 842 requires that a lessee recognize a right-of-use asset and a corresponding liability for its obligation under virtually all operating leases, as well as expands disclosure requirements for both lessees and lessors. ASC 842 is effective for annual reporting periods beginning after December 15, 2021. Early adoption is permitted. The Association is currently evaluating the effect of the adoption of ASC 842 on its results of operations, financial position, and cash flow.

Subsequent Events

The Association has evaluated subsequent events through February 16, 2022, the date which the consolidated financial statements were available to be issued. Based upon this evaluation, the Association has determined that except for the matters disclosed in Notes 5, 6, 9 and 16, no other subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

3. MEMBER ASSESSMENTS

Pursuant to the Declaration of Time-Share Plan and By-Laws of the Association, assessments (both regular and special) are allocated to the unit owners in the proportions or percentages provided in the Declaration. The annual budget and owner assessments are determined by the Board of Directors.

The 2020 annual assessments to weekly interval owners were as follows:

Maintenance	$	738
Replacement fund		81
Real estate taxes, as agent		91
	$	910

The Association is collecting assessments for and remitting real estate taxes on behalf of individual interval owners. Therefore, the real estate tax assessments and the related expenses are not presented on the Association's consolidated statement of revenues, expenses, and changes in fund balance.

4. INVENTORY OF TIME-SHARE INTERVALS

For the year ended December 31, 2020, the Association bore the financial responsibility for approximately 1,051 weekly intervals. The real estate tax and replacement fund assessments for these units of $95,252 and $85,505, respectively, have been charged to operating expense for 2020. The operating portion of the assessments for these weekly intervals has been excluded from assessment revenue for 2020. As the inventory has no net realizable value, no value has been recorded on December 31, 2020.

5. ASSIGNED NOTE PORTFOLIO

In November 2017 as part of a settlement agreement with the former Developer, the Association was assigned a note portfolio consisting of owner mortgages for timeshare interests. The Association was assigned the note portfolio consisting of approximately $6.3 million in original mortgage notes with an outstanding balance of approximately $5.1 million at December 31, 2020. These notes are deemed fully uncollectible, and no amounts were collected during 2020.

In October 2021, an additional $2.3 million in original mortgage notes with an outstanding balance of approximately $1.95 million were assigned to the Association under the agreement, which are also deemed fully uncollectible.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following on December 31, 2020:

Land	$	1,252,816
Buildings		3,101,769
Furnishings, fixtures, and equipment		532,472
Rental units		374,646
Construction in progress		152,698
		5,414,401
Less: Accumulated depreciation		(1,277,196)
Property and equipment, net	$	4,137,205

In April 2021, September 2021, and December 2021, the Association purchased additional rental units from private owners totaling approximately $460,000.

7. GOODWILL

The gross carrying amounts of goodwill, accumulated amortization, and accumulated impairment loss on December 31, 2020, are as follows:

Goodwill	$	2,834,545
Accumulated amortization		(1,984,180)
Accumulated impairment loss		-
Goodwill, net	$	850,365

The Association amortizes goodwill on the straight-line method over 10 years. Amortization expense for the year ended December 31, 2020, was $283,455. Future amortization for the next three years is $283,455 annually.

8. MANAGEMENT AGREEMENT

The property and affairs of the Association are managed by FMS under an agreement expiring October 21, 2023. Under this agreement, the management fee increases by 3% in October of each subsequent year the agreement is in place. This agreement is automatically renewed for successive periods of three years unless canceled by either party with 60 days' written notice.

As FMS is a wholly-owned subsidiary of the Association, the management fee revenue and related expense are eliminated and not presented in these financial statements. The fee incurred for the period of the contract in 2020 was approximately $401,000.

9. NOTES PAYABLE

Notes payable consist of the following on December 31, 2020:

Notes payable, Phoenix Resorts, Inc. and Fantasy World Management, Inc., interest at 9% per annum, collateralized by real property and assignment of rental contracts, and requires monthly payments of principal and interest of $15,396, which commenced in July 2013 and matures in May 2035.	$	1,491,896
Small Business Association ("SBA") Loan from an institution under the Paycheck Protection Program, unsecured note payable, maturing May 2022; if not forgiven, principal and interest (at 1%) payments are due in 18 monthly installments		543,842
	$	2,035,738

Future maturities of the notes payable on December 31, 2020, are as follows:

2021	$	80,048
2022		421,328
2023		215,605
2024		68,864
2025		75,324
Thereafter		1,174,569
	$	2,035,738

For the year ended December 31, 2020, interest expense related to notes payable amounted to $136,648.

In June 2021, the Association received notification that it received full forgiveness of the SBA loan under the Paycheck Protection Program in the amount of $543,842.

In February 2021, the Association secured a Small Business Association loan from an institution under the Paycheck Protection Program in the amount of approximately $761,000. The loan accrues interest at 1% annually and matures on February 1, 2026. The outstanding principal and interest may qualify for full forgiveness if the funds are used for the approved purposes, which include certain payroll and administrative costs.

10. INSURANCE NOTE PAYABLE

On December 31, 2020, insurance note payable consists of an insurance premium finance agreement with Brown & Brown, Inc., which requires monthly payments of $42,003, matures in October 2021, and is secured by an interest in the financed insurance policies.

11. REPLACEMENT FUND

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements. Accumulated funds, which aggregate $3,530,750 and are presented on the accompanying consolidated balance sheet as a contract liability for replacements at December 31, 2020, are held in segregated accounts and all interest income earned on these accounts is allocated to the replacement fund.

An independent specialist conducted a study in 2019 to estimate the remaining useful lives and the current replacement costs of the components of common property. The table included in the supplementary information on future major repairs and replacements, which is unaudited, is based on that study, as updated by management.

The Association is funding for major repairs and replacements over the estimated remaining useful lives of the components based on the study's estimates of current replacement costs and considering the amounts previously accumulated in the replacement fund. Accordingly, funding of $804,182 has been included in the 2021 budget.

Funds are being accumulated in the replacement fund based on the estimated current costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts, and the variation may be material. Consequently, the 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 of Directors approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

On December 31, 2020, the Association's operating fund owed $2,028,790 to the replacement fund. The repayment of the interfund receivable due from the operating fund is dependent upon the operating fund generating sufficient income to both cover the current expenses of the Association and to repay the replacement fund.

12. RELATED PARTY TRANSACTIONS

The Association is affiliated through common ownership and management with other owners' associations through its relationship with the Management Company.

Additionally, the Association is a member of Fantasyworld Club Villas Homeowners' Association, Inc. (the "Master Association"). The Association has 205 units in the Master Association, and through this relationship was charged $1,093,470 in membership fees during 2020. Additionally, the Association was charged $126,369 for Master Association fees for the units in the rental program. A discretionary funding amount of $687,720 to fund the Master Association's fund deficit is included in the master association fees on the consolidated statement of revenues, expenses, and changes in fund balance.

In March 2019, the Master Association's Board of Directors approved a special assessment in the amount of approximately $288,000 ($92,362 for Master Association and $195,201 for the Association) for roof partition repairs and Americans with Disabilities Act ("ADA") compliance requirements to begin in 2019. The special assessment billed to each owner was $952. The special assessment expenses for the Association were $195,201, of which $152,257 was for roof expenses and recorded in the replacement fund and $42,944 was for ADA expenses and recorded in the operating fund. The special assessment expenses related to ADA are included with master association fees on the statement of revenues, expenses, and changes in fund balance.

Due from affiliates at December 31, 2020, consists of amounts due from the Master Association and other entities related by common governance which consist of informal noninterest bearing advances which are in the nature of trade receivables, due on demand.

In addition to the management fees referred to in Note 8, the Association has entered into agreements whereby the Management Company processes owners' assessment payments made on the Association's website and operates a rental program for delinquent interval owners' units and units owned by the Association. The Management Company receives a commission on the rented units.

In accordance with the management agreement with the Master Association, the Management Company charged management fees to the Master Association for approximately $26,800. This amount is included in bar revenues, resort fees and other on the consolidated statement of revenues, expenses, and changes in fund balance.

13. LEASING ACTIVITIES

The Association rents office equipment under a noncancellable operating lease expiring in 2025. Per the lease agreement, the payments are split equally between the Association and the Master Association under an informal cost sharing agreement.

In addition, the Association rents golf carts under noncancellable operating leases expiring in 2021 and 2022.

Future minimum lease payments under these noncancellable operating leases at December 31, 2020, are as follows:

2021	$	24,115
2022		9,301
2023		6,912
2024		6,912
2025		5,760
	$	53,000

Total rent expense under all operating leases, including usage costs and month-to-month rentals, for the year ended December 31, 2020, was $27,386.

14. INCOME TAXES

For the year ended December 31, 2020, nonmembership income did not exceed the related expenses. Therefore, there was no federal income tax expense recorded in the operating fund.

The Association has no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded.

Management analyzed its various federal and state income tax filing positions and believes that no accruals for tax liabilities related to uncertain income tax positions are required on December 31, 2020. Therefore, no reserves for uncertain income tax positions have been recorded. During 2020, there were no increases or decreases in unrecognized tax benefits for current or prior years and no significant increases or decreases in unrecognized tax benefits are expected to occur within the next 12 months.

15. COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances, at times, in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and assessments receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote. The Association's assessments receivable is related to billed assessments.

The Association monitors the collectibility of these assessments receivable and pursues collection through lockout procedures and rental of units related to delinquent accounts. Management routinely assesses the uncollectibility of the Association's assessments receivable and provides for allowances for doubtful accounts based on this assessment.

Litigation

During the course of its operations, the Association is subject to various claims, torts, and actions. Management reviews the validity of such actions and acts accordingly. Management does not believe the outcome of any current actions will result in a material loss to the Association.

Insurance Matters

In the event of a disaster, the Association could be exposed to losses for damages in excess of insurance coverage limits. Management considers this risk of loss to be remote and its insurance coverage adequate.

16. SUBSEQUENT EVENT

Franchise Agreement

In September 2021, FMS entered into an agreement with Sbarro Franchise Co, LLC ("Sbarro") for the Association to operate a restaurant at the Association's location. This agreement commences on September 1, 2021 and continues for ten years unless renewed or terminated sooner. At the expiration of this agreement, FMS may renew it for an additional ten years. In accordance with the agreement, FMS will pay an initial franchise fee of $25,000 at the commencement of this agreement and FMS agrees to pay Sbarro an ongoing royalty fee of 5% of gross revenues weekly. Sbarro is scheduled to open the second half of 2022 and the royalties will commence when the revenues are incurred.

Vacation Villas
at FantasyWorld

SUPPLEMENTARY INFORMATION

Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries
Schedule of Consolidated Revenues and Expenses – Operating Fund
Year Ended December 31, 2020

	Actual	Budget (Unaudited)
Revenues		
Member assessments	$ 7,090,865	$ 7,866,440
Constrained assessments	(3,220,143)	(4,268,239)
Total member assessments	3,870,722	3,598,201
Financing and late charges	89,120	-
Bar revenues, resort fees and other	1,237,337	1,755,306
Rental income	1,894,542	3,350,000
Settlement income	122,000	-
Other rental program income	90,626	83,000
Total revenues	7,304,347	8,786,507
Expenses		
Utilities	547,083	702,005
Housekeeping		
Linens	67,724	90,000
Contract labor	761,265	1,240,055
Guest transportation	24,025	48,000
Other	91,154	189,964
	944,168	1,568,019
Maintenance and repairs		
Building maintenance	203,755	270,158
Pest control	26,687	29,074
Other	42,668	30,000
	273,110	329,232
Salaries and related expenses		
Administrative, guest and owner services	819,715	713,839
Maintenance	407,662	502,005
Bar, food and beverage	239,729	571,094
Payroll taxes and related expenses	441,255	469,895
	1,908,361	2,256,833
Administration and general		
Management fees	-	400,821
Professional fees	48,323	63,500
Regulatory fees	21,320	21,320
Collection fees	-	12,000
Bank and credit card charges	82,417	174,969
Insurance expense	325,396	201,029
Property taxes	-	68,330
Advertising and other expenses	110,374	75,000
	587,830	1,016,969

See Independent Auditor's Report.

Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries
Schedule of Consolidated Revenues and Expenses – Operating Fund
Year Ended December 31, 2020

	Actual	Budget (Unaudited)
Resort management expenses		
Board of directors expense	$ 6,174	$ 30,000
Membership mailings, meetings and postage	62,742	40,000
Office expense	102,822	82,696
Licenses, permits, and fees	13,832	19,800
Interest expense	136,648	184,757
Paypal commissions	91,291	-
Night auditor contract fees	24,049	-
Guest and employee relations	35,068	-
Other	96,954	35,380
	569,580	392,633
Bad debt expense	356,210	-
Bar cost of sales	111,061	220,889
Depreciation and amortization	394,660	-
Master association fees	1,950,503	1,894,527
Association-owned interval expense	180,757	-
Total expenses	7,823,323	8,381,107
Excess (deficiency) of revenues over expenses	$ (518,976)	$ 405,400

See Independent Auditor's Report.

Vacation Villas at FantasyWorld Time-Share Owner's Association, Inc. and Subsidiaries
Schedule of Future Major Repairs and Replacements (Unaudited)
December 31, 2020

An independent specialist conducted a study in 2019 to estimate the remaining useful lives and the current replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following table, which presents significant information about the components of common property, is based on that study, as updated by management:

Components	Remaining Estimated Useful Lives	Estimated Current Replacement Costs	Contract Liabilities January 1, 2020	Additions	Expenditures	Reallocation	Contract Liabilities December 31, 2020
Roof replacement	0 - 30 years	$ 633,368	$ 60,672	$ 211,200	$ 152,257	$ -	$ 119,615
Building painting	0 - 9 years	95,135	144,853	-	-	-	144,853
Building and equipment	2 - 15 years	327,327	(85,269)	100,000	-	-	14,731
Pavement resurfacing	0 - 2 years	72,546	101,916	25,000	-	(46,916)	80,000
Check-in facility	0 - 7 years	213,644	263,173	-	-	-	263,173
Furniture and fixtures	1 - 15 years	4,206,271	2,496,155	531,055	165,748	46,916	2,908,378
		$ 5,548,291	$ 2,981,500	$ 867,255	$ 318,005	$ -	$ 3,530,750

See Independent Auditor's Report.