

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
LAKE BUENA VISTA, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020



TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS	
Balance Sheet	4
Statement of Comprehensive Income and Changes in Fund Balance	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements (Unaudited)	16
Schedule of Operating Fund Revenue and Expenses - Budget to Actual	17

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Disney Vacation Club Condominium Association, Inc.

We have audited the accompanying financial statements of Disney Vacation Club Condominium Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of comprehensive income and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disney Vacation Club Condominium Association, Inc. as of December 31, 2020, 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 of America.

To the Board of Directors of
Disney Vacation Club Condominium Association, Inc.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenue and expenses - budget to actual, is required by Florida Statutes. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited," 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
May 25, 2021

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 11,345,283	\$ 4,578,322	\$ 15,923,605
Restricted cash - real estate tax	808,860	-	808,860
Investments	-	6,987,522	6,987,522
Annual dues receivable	405,024	-	405,024
Interest receivable	-	78,914	78,914
Prepaid expenses	195,345	-	195,345
Due from (to) funds	(234,919)	234,919	-
Total assets	\$ 12,519,593	\$ 11,879,677	\$ 24,399,270
Liabilities and Fund Balance			
Liabilities			
Accrued expenses	\$ 30,560	\$ -	\$ 30,560
Income tax payable	267,848	-	267,848
Due to DVD	74,215	-	74,215
Due to DVCM	1,814,426	-	1,814,426
Due to members - distribution	6,100,536	-	6,100,536
Annual dues received in advance	4,232,008	982,202	5,214,210
Deferred tax liability	-	925	925
Contract liability	-	10,488,826	10,488,826
Total liabilities	12,519,593	11,471,953	23,991,546
Fund balance			
Accumulated excess of revenue over expenses	-	405,757	405,757
Accumulated other comprehensive income			
Net unrealized gain on investments	-	1,967	1,967
Total fund balance	-	407,724	407,724
Total liabilities and fund balance	\$ 12,519,593	\$ 11,879,677	\$ 24,399,270

Read Independent Auditors' Report.
The accompanying notes are an integral part of the financial statements.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Replacement Fund	Hurricane Fund	Total
Revenue				
Members' annual dues	\$ 38,791,433	\$ 6,173,798	\$ -	\$ 44,965,231
Developers' annual dues	899,640	142,926	-	1,042,566
Breakage	1,298,521	-	-	1,298,521
Self parking	242,222	-	-	242,222
Member late fees and interest	215,859	-	-	215,859
Insurance proceeds	-	-	7,310	7,310
Interest, net of bank fees	-	193,058	-	193,058
Amortization of purchase premiums	-	(113,190)	-	(113,190)
 Total revenue	 41,447,675	 6,396,592	 7,310	 47,851,577
Expenses	34,737,003	6,396,592	-	41,133,595
 Excess of revenue over expenses	 6,710,672	 -	 7,310	 6,717,982
Other Comprehensive Income, Net of Tax				
Unrealized gain on investments				
Unrealized holding gain during period	-	1,967	-	1,967
 Total comprehensive income	 6,710,672	 1,967	 7,310	 6,719,949
Fund balance, beginning of year	-	-	(36,578)	(36,578)
Distribution to members	(6,275,647)	-	-	(6,275,647)
Interfund transfer	(435,025)	405,757	29,268	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 407,724</u>	<u>\$ -</u>	<u>\$ 407,724</u>

Read Independent Auditors' Report.
The accompanying notes are an integral part of the financial statements.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Replacement Fund	Hurricane Fund	Total
Cash Flows From Operating Activities				
Excess of revenue over expenses	\$ 6,710,672	\$ -	\$ 7,310	\$ 6,717,982
Adjustments to reconcile to net cash flows from operating activities:				
Amortization of purchase premiums	-	113,190	-	113,190
Changes in:				
Annual dues receivable	(61,740)	-	-	(61,740)
Due from DVD	311,570	-	-	311,570
Due from DVCM	2,089,175	-	-	2,089,175
Interest receivable	-	(74,350)	-	(74,350)
Prepaid expenses	(80,722)	-	-	(80,722)
Due from (to) funds	(399,627)	436,205	(36,578)	-
Accrued expenses	10,186	-	-	10,186
Income tax payable	10,591	-	-	10,591
Due to DVD	74,215	-	-	74,215
Due to DVCM	1,814,426	-	-	1,814,426
Due to members - distribution	6,100,536	-	-	6,100,536
Annual dues received in advance	(565,381)	55,546	-	(509,835)
Contract liability	-	4,634,509	-	4,634,509
Net cash flows from operating activities	<u>16,013,901</u>	<u>5,165,100</u>	<u>(29,268)</u>	<u>21,149,733</u>
Cash Flows From Investing Activities				
Proceeds from maturity of investments	-	22,535,000	-	22,535,000
Purchases of investments	-	(26,557,820)	-	(26,557,820)
Net cash flows from investing activities	<u>-</u>	<u>(4,022,820)</u>	<u>-</u>	<u>(4,022,820)</u>
Cash Flows From Financing Activities				
Distribution to members	(6,275,647)	-	-	(6,275,647)
Interfund transfer	(435,025)	405,757	29,268	-
Net cash flows from financing activities	<u>(6,710,672)</u>	<u>405,757</u>	<u>29,268</u>	<u>(6,275,647)</u>
Net increase	9,303,229	1,548,037	-	10,851,266
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,850,914</u>	<u>3,030,285</u>	<u>-</u>	<u>5,881,199</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 12,154,143</u></u>	<u><u>\$ 4,578,322</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,732,465</u></u>
Supplemental Information				
Income tax paid	<u><u>\$ 257,257</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 257,257</u></u>
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Read Independent Auditors' Report.

The accompanying notes are an integral part of the financial statements.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - THE ASSOCIATION

Nature of Operations

Disney Vacation Club Condominium Association, Inc. (the “Association”) was incorporated on November 20, 1990, under the laws of Florida as a corporation not-for-profit, to operate and manage the Disney Vacation Club at WALT DISNEY WORLD Resort (the “Condominium”), a leasehold condominium consisting of vacation homes being developed in phases, located in Lake Buena Vista, Florida.

As of December 31, 2020, the Condominium consisted of 52 declared phases, containing 531 vacation homes. Each phase principally consists of one unit, containing 6-16 vacation homes in studio, one-bedroom, two-bedroom, and grand villa type configurations. As of December 31, 2020, there had been declared ownership interests equivalent to approximately 7,674,930 vacation points in the Condominium. The owners of all ownership interests in the Condominium are the only members.

Ownership Rights and Vacation Points

An ownership interest is symbolized by an annual allotment of “vacation points.” For purposes of reservations, the developer, Disney Vacation Development, Inc. (“DVD”), has established daily vacation point values according to the type and size of the accommodations and the time period sought.

Each ownership interest is sold free and clear of all liens, encumbrances, defects, judgments and mortgages, except that each such interest shall be subject to the following matters of title including: The Declaration of Condominium; The Ground Lease; The Master Declaration of Covenants, Conditions and Restrictions; The Master Cotenancy Agreement; membership in the Disney Vacation Club; any mortgage placed upon the ownership interest; taxes and annual dues for the year of purchase and subsequent years; and restrictions, reservations, conditions, limitations and easements of record prior to purchase or imposed by authorities having jurisdiction over the subject property.

Each unit shall have one (1) vote in the Association. The vote of each unit shall be cast by its voting representative. Where a unit is owned by more than one owner, the cotenants of the unit shall file a voting certificate with the Association in accordance with the articles of incorporation and bylaws of the Association, setting forth which cotenant is designated as the voting representative for that unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of 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 amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Association's governing documents provide guidelines for governing its financial activities. To ensure observance of limitations 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.

Hurricane fund - This fund reflects the activity related to the landfall of Hurricane Dorian in 2019.

Cash and Cash Equivalents

The Association considers all highly liquid investment instruments purchased with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Restricted Cash - Real Estate Tax

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

Investments

The Association classifies its debt securities as available-for-sale. Debt securities for which the Association does not have the intent or ability to hold to maturity are classified as available-for-sale. Available-for-sale securities are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of other comprehensive income and reported as a separate component of fund balance. Gains or losses on securities sold are based on the specific identification method.

Annual Dues Receivable

Annual dues receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding dues from members. Annual dues receivable are generally considered delinquent when the payment is not received on or before the due date. The accompanying financial statements contain no allowance for uncollectible accounts since in management's opinion all accounts are fully collectible, pursuant to an agreement with DVD, as further described in Note 5. The Association treats uncollectible dues as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of annual dues receivable as of the beginning and end of the year are \$343,284 and \$405,024, respectively.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Association follows prevalent industry practice, as contained in ASC Subtopic 972-360, “Real Estate - Common Interest Realty Associations - Property, Plant and Equipment” in accounting for the common property of the Association, which it is responsible to preserve and maintain. Property is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property or the property is used by the Association to generate significant cash flow from members on the basis of usage or from nonmembers.

Property associated with the units is not capitalized. Property not directly associated with the units consists of equipment. These items are not capitalized as they do not meet the capitalization criteria, since ownership of the commonly owned assets is vested in the members, those assets are not titled in the Association’s name and disposition of those assets by the Board of Directors (the “Board”) is restricted. Additions and improvements to common property are accounted for as major repair and replacement expenditures in the replacement fund.

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 related to the replacement fund dues. The balance of contract liability as of the beginning and end of the year are \$5,854,317 and \$10,488,826, respectively.

Income Taxes

The Association can elect to file its income tax return as a Homeowners’ Association, in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The effect of the election is to tax the Association only on its “non-exempt function” income, reduced by a specific \$100 deduction at a flat 32% rate. If such election is not made, the Association’s net income is subject to tax at statutory corporate rates. The tax effect related to other comprehensive income is reflected on the balance sheet.

Management has analyzed its various federal filing positions and believes that the Association’s income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The Association’s federal income tax returns remain subject to examination by the Internal Revenue Service for three years from the date of filing.

The Association has elected to be taxed as a Homeowners’ Association, which has resulted in a federal income tax liability of \$267,848 for the year ended December 31, 2020. There is no state income tax imposed on the Association.

As of December 31, 2020, the Association has \$11,024 of capital loss carryforwards that expire between the years 2021 and 2022.

Read Independent Auditors’ Report.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate Taxes

The Association acts as a conduit for the collection of real estate taxes for Orange County and Reedy Creek Improvement District. Real estate taxes are not considered funds owned by the Association. Therefore, the activity of the real estate tax escrow account is not reflected in the Association's statement of revenue, expenses and changes in fund balance. Any collections made in excess of actual taxes paid is used to reduce assessments to the Association's members. Conversely, any real estate taxes paid that exceed the amounts billed is charged to the Association's members in the next billing cycle. Interest income on real estate tax cash balances is disbursed, in accordance with the requirements of Florida law, to the Association as ordinary income after all real estate taxes for that year have been paid in full.

Fair Value Measurements

The Association measures certain assets at fair value in accordance with current accounting standards on fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). The fair value of substantially all debt securities is determined by a broker using a third party source.

Revenue Recognition

Association members are subject to annual dues to provide funds for the Association's operating expenses and major repairs and replacements. Annual dues 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 are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Any excess assessments at year-end are transferred to the replacement fund.

Member late fees and interest revenue is recognized when collected.

NOTE 3 - CONCENTRATIONS

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents. The Association maintains cash balances at one financial institution. Accounts at the commercial banking institution are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000. As of December 31, 2020, the uninsured balance was \$11,904,143, based on the bank statement balances, less the FDIC insurance. Cash equivalents totaling \$4,578,322, as of December 31, 2020, are not insured by the FDIC.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 - INVESTMENTS

The Association invests idle cash balances in various debt securities. The amortized historical cost, aggregate fair value, and gross unrealized holding gain, summarized by major security type, as of December 31, 2020, consisted of:

<u>Replacement Fund</u>	<u>Amortized Historical Cost</u>	<u>Aggregate Fair Value</u>	<u>Gross Unrealized Holding Gain</u>
Debt Securities			
Bonds	\$ 6,984,630	\$ 6,987,522	\$ 2,892

Future maturities of debt securities held as of December 31, 2020, consisted of:

<u>Maturities</u>	<u>Amortized Historical Cost</u>	<u>Aggregate Fair Value</u>	<u>Unrealized Holding Gain</u>
Less than one year	\$ 4,804,115	\$ 4,806,966	\$ 2,851
1 - 5 years	478,698	478,753	55
5 - 10 years	350,434	350,454	20
More than 10 years	1,351,383	1,351,349	(34)
	<u>\$ 6,984,630</u>	<u>\$ 6,987,522</u>	<u>\$ 2,892</u>

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2020, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

<u>Description</u>	<u>Level 1: Quoted Prices in Active Markets for Identical Assets</u>	<u>Level 2: Significant Other Observable Inputs</u>	<u>Level 3: Significant Unobservable Inputs</u>	<u>Total as of December 31, 2020</u>
Bonds	\$ -	\$ 6,987,522	\$ -	\$ 6,987,522

NOTE 5 - ANNUAL DUES RECEIVABLE

The Association has the right to place a lien against each ownership interest to secure the payment of annual dues or other exactions coming due for the use, maintenance, upkeep or repair of the recreational or commonly used facilities. An owner's failure to make these payments may result in foreclosure of the lien. All such liens shall be subordinate to any mortgage recorded prior to the date of recording the claim of lien.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - ANNUAL DUES RECEIVABLE (Continued)

Pursuant to the Master Cotenancy Agreement, DVD has the right, but not the obligation, to pay the amount due from a defaulting cotenant and thereby acquire a lien against the defaulting cotenant's ownership interest to secure repayment of amounts paid by DVD. In the event DVD elects not to exercise that right, a non-defaulting cotenant may elect to pay the amounts due from a defaulting cotenant, and thereby acquire a lien against the defaulting cotenant's ownership interest.

NOTE 6 - ANNUAL DUES RECEIVED IN ADVANCE

Annual dues received in advance consisted of future year dues received by the Association prior to January 1, 2021.

NOTE 7 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$10,488,826 and \$407,724, and are presented on the accompanying balance sheet as a contract liability and fund balance, respectively, as of December 31, 2020, are held in separate accounts and are generally not available for operating purposes. The Association's policy is to retain the investment income earned on such funds in the replacement fund and apply towards current year expenditures. The Board approved a transfer of the operating excess of revenue over expenses to the replacement fund.

During 2020, the Association funded for major repairs and replacements over the estimated useful lives of the components, based on estimates of current replacement costs, in accordance with Florida Statutes. The Association has adopted the pooling method for replacement funding.

The 2021 proposed budgeted funding is \$12,301,660, as shown in the unaudited supplementary information. The components' actual replacement costs, useful lives, and investment income may vary from the estimated amounts and the variation may be material. Therefore, the Association's 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 Board's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Developer

DVD is a Florida corporation and a related entity of The Walt Disney Company ("TWDC"), a Delaware corporation. DVD acquired the property under the terms of a ground lease by and between Walt Disney Parks and Resorts U.S., Inc. ("WDPR"), a Florida corporation, (formerly Walt Disney World Co.), its successors and assigns, as successor by merger to Walt Disney World Hospitality & Recreation Corporation ("WDWHRC"), and DVD. WDPR is also a subsidiary of TWDC. DVD developed the Condominium on the property located in Orange County, Florida, and sells ownership interest in condominium units as part of the vacation ownership plan. During 2007, the Association entered into a new agreement with DVD in which DVD agreed to extend the ground lease an additional 15 years until January 31, 2057, thereby extending the Condominium and each ownership interest, at which time title will vest in WDPR as the Lessor under the ground lease.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

The Developer (Continued)

Certain directors or officers of DVD or Disney Vacation Club Management, LLC (“DVCM”) serve on the Board or as officers of the Association. Certain directors or officers of the Association are also employees of TWDC or its affiliates.

DVD retains no less than 2% of the total ownership interests in each unit declared in the Condominium and is responsible for annual dues with respect to its retained or unsold ownership interests. DVD has retained ownership interests equivalent to approximately 153,531 vacation points. In addition, DVD had unsold ownership interests equivalent to approximately 66,375 vacation points as of December 31, 2020. During the year ended December 31, 2020, DVD annual dues paid to the Association were \$1,147,430.

The Manager and Resort Operations

DVCM, a Florida limited liability company, is the manager of the Association and is also a subsidiary of TWDC.

Management fees payable to DVCM are 12% of the total annual operating and reserve budget exclusive of real estate taxes, transportation fees, and the management fee, itself. Management fees incurred during the year ended December 31, 2020, were \$4,527,763.

DVCM has an agreement with the Association whereby DVCM may operate a resort hotel with respect to the rental of unreserved accommodations in the Condominium. Proceeds, resulting from the rental of unreserved accommodations, are retained by the Association up to an amount equal to 2 ½ percent of the adjusted operating and capital reserves budget, as defined, in each calendar year, as breakage revenue. During the year ended December 31, 2020, the Association received \$1,298,521 in breakage revenue.

Substantially all operating expenses have been allocated to the Association from DVCM, and certain operating expenses have been rendered by or incurred through other TWDC entities.

Amounts due to or from DVCM are payable in full and due on demand. As of December 31, 2020, the amount due to DVCM of \$1,814,426 related to allocable expenses, net of annual dues collected but not yet remitted to the Association.

NOTE 9 - COMMITMENT AND CONTINGENCY

The Association has a three-year management agreement ending October 1, 2021, with DVCM. The management agreement automatically renews for successive periods of three (3) years each, upon its scheduled expiration, unless either party gives the other written notice of nonrenewal, as stipulated in the agreement. DVCM provides on-site management and maintenance services, and off-site administrative and accounting services.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements, as a result of this uncertainty.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 25, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2020
 (Unaudited)

The following table represents a study performed by WDPR in collaboration with an independent contractor during 2020 to estimate the useful lives and replacement costs of the components of common property. Amounts are based on normal operation and without the effect of potential catastrophic occurrences.

Components	Average Estimated Useful Lives	Average Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2021 Proposed Budgeted Funding
Roof replacement / repair	2 - 38 years	1 - 19 years	\$ 21,990,558	
Interior refurbishment	3 - 40 years	1 - 18 years	92,070,515	
External building painting	3 - 9 years	1 - 6 years	10,514,043	
Common element renovation	1 - 40 years	1 - 29 years	45,298,360	
Pavement resurfacing	3 - 30 years	1 - 24 years	4,778,693	
			<u>\$ 174,652,169</u>	<u>\$ 12,301,660</u>

The funding requirement of \$12,322,602 will be reduced by estimated investment income earned on replacement funds in the amount of \$20,942.

DISNEY VACATION CLUB CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget <i>(Unaudited)</i>	Actual	Variance
Revenue			
Members' and developers' annual dues	\$ 39,691,073	\$ 39,691,073	\$ -
Breakage	1,298,521	1,298,521	-
Self parking	255,997	242,222	(13,775)
Member late fees and interest	195,383	215,859	20,476
	<u>41,440,974</u>	<u>41,447,675</u>	<u>6,701</u>
Expenses			
Administration and front desk	6,329,932	4,403,594	1,926,338
Annual audit	14,900	14,900	-
DVC reservation component	52,819	53,059	(240)
Division fees	54,162	54,162	-
Housekeeping	11,499,702	8,858,109	2,641,593
Income tax	272,134	267,848	4,286
Insurance	504,968	622,130	(117,162)
Legal	1,000	-	1,000
Maintenance	5,175,495	4,901,159	274,336
Management fees	4,527,763	4,527,763	-
Member activities	1,869,336	1,647,277	222,059
Security	665,388	611,226	54,162
Transportation	8,383,183	6,999,632	1,383,551
Utilities	2,090,192	1,776,144	314,048
	<u>41,440,974</u>	<u>34,737,003</u>	<u>6,703,971</u>
Total operating fund expenses	<u>41,440,974</u>	<u>34,737,003</u>	<u>6,703,971</u>
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ 6,710,672</u>	<u>\$ 6,710,672</u>

Read Independent Auditors' Report.