

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**

**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**

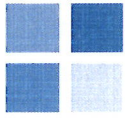
**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of  
Grand Panama Beach Resort Condominium Association, Inc.  
Panama City Beach, Florida

### Opinion

We have audited the accompanying financial statements of Grand Panama Beach Resort Condominium Association, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Panama Beach Resort Condominium Association, Inc. as of December 31, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grand Panama Beach Resort Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Panama Beach Resort Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Grand Panama Beach Resort Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Panama Beach Resort Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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.

## **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

*Tipton, Marler, Garner & Chastain*

Panama City Beach, Florida  
May 3, 2023

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2022**

**ASSETS**

	Operating Fund	Reserve Fund	Total
<b>Current Assets:</b>			
Cash - operating	\$ 2,162,971		\$ 2,162,971
Cash - restricted		\$ 2,262,547	2,262,547
Accounts receivable, net	22,153		22,153
Prepaid expenses	200,981		200,981
Due from reserve fund	165		165
Total current assets	2,386,270	2,262,547	4,648,817
<b>Property and Equipment:</b>			
Commercial units	2,300,000		2,300,000
Equipment	49,820		49,820
Less accumulated depreciation	(167,769)		(167,769)
Net property and equipment	2,182,051	0	2,182,051
<b>Other Assets:</b>			
Operating lease right of use assets, net	275,042		275,042
Utility deposit	9,980		9,980
Total other assets	285,022	0	285,022
<b>Total Assets</b>	<b>\$ 4,853,343</b>	<b>\$ 2,262,547</b>	<b>\$ 7,115,890</b>

**LIABILITIES AND FUND BALANCES**

<b>Current Liabilities:</b>			
Accounts payable	\$ 215,645		\$ 215,645
Prepaid assessments	96,123		96,123
Current maturities of note payable	82,486		82,486
Current maturities of operating lease liabilities	26,765		26,765
Due to operating fund		\$ 165	165
Total current liabilities	421,019	165	421,184
<b>Long-term Liabilities:</b>			
Operating lease liabilities, less current maturities	252,734		252,734
Note payable, net of unamortized issuance costs, less current maturities	2,034,414		2,034,414
Contract liabilities (assessments received in advance - reserve fund)		2,236,623	2,236,623
Total long-term liabilities	2,287,148	2,236,623	4,523,771
Total liabilities	2,708,167	2,236,788	4,944,955
<b>Fund Balances:</b>			
Restricted		25,759	25,759
Unrestricted	2,145,176		2,145,176
Total fund balances	2,145,176	25,759	2,170,935
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,853,343</b>	<b>\$ 2,262,547</b>	<b>\$ 7,115,890</b>

See the independent auditor's report and accompanying notes.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2022**

	Operating Fund	Reserve Fund	Total
<b>Revenues:</b>			
Regular assessments	\$ 1,814,575	\$ 128,517	\$ 1,943,092
Security reimbursement	308,900		308,900
Beach service	61,800		61,800
Late fees	3,569		3,569
Hurricane Michael insurance proceeds (net of related expenses of \$816,929)	1,406,892		1,406,892
Other insurance proceeds	191,301		191,301
Interest income	4,700	3,906	8,606
Miscellaneous income	11,951		11,951
Rental income	234,615		234,615
Total revenues	<u>4,038,303</u>	<u>132,423</u>	<u>4,170,726</u>
<b>Expenses:</b>			
Administrative	30,565		30,565
Assessment expense	45,597		45,597
Contracts	451,988		451,988
Depreciation	58,975		58,975
Inspections	27,278		27,278
Insurance and bonds	447,276		447,276
Interest	98,605		98,605
Legal and professional	54,868		54,868
Licenses and fees	3,946		3,946
Miscellaneous	17,703		17,703
Repairs and maintenance -			
Building	149,688		149,688
Pool	117,412		117,412
Equipment	37,195		37,195
Grounds	25,938		25,938
Salaries and wages	461,048		461,048
Utilities	718,319		718,319
Reserve expenditures		128,517	128,517
Expenses covered by insurance	191,301		191,301
Commercial rental expenses -			
Property taxes	6,068		6,068
Repairs and maintenance	1,885		1,885
Total expenses	<u>2,945,655</u>	<u>128,517</u>	<u>3,074,172</u>
Excess of revenues over expenses	1,092,648	3,906	1,096,554
<b>Fund Balances:</b>			
Beginning of year	<u>1,052,528</u>	<u>21,853</u>	<u>1,074,381</u>
End of year	<u>\$ 2,145,176</u>	<u>\$ 25,759</u>	<u>\$ 2,170,935</u>

See the independent auditor's report and accompanying notes.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**

	Operating Fund	Reserve Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash Flows From Operating Activities:</b>			
Cash received from assessments	\$ 1,793,767	\$ 450,000	\$ 2,243,767
Cash received from other revenues	386,220		386,220
Cash received from insurance proceeds	2,415,122		2,415,122
Cash received from rental income	232,250		232,250
Interest received	4,700	3,906	8,606
Interest paid	(96,835)		(96,835)
Cash paid to vendors, employees, etc.	(3,498,146)	(128,517)	(3,626,663)
Net cash provided by operating activities	<u>1,237,078</u>	<u>325,389</u>	<u>1,562,467</u>
 <b>Cash Flows From Financing Activities:</b>			
Principal payments on note payable	(74,977)		(74,977)
Net cash used in financing activities	<u>(74,977)</u>	<u>0</u>	<u>(74,977)</u>
 <b>Net Increase in Cash and Cash Equivalents</b>	1,162,101	325,389	1,487,490
 <b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,000,870</u>	<u>1,937,158</u>	<u>2,938,028</u>
 <b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,162,971</u>	<u>\$ 2,262,547</u>	<u>\$ 4,425,518</u>
 <b>Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:</b>			
Excess of revenues over expenses	\$ 1,092,648	\$ 3,906	\$ 1,096,554
 <b>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</b>			
Debt issuance costs	1,770		1,770
Depreciation	58,975		58,975
Amortization of operating lease right of use assets	30,140		30,140
(Increase) decrease in:			
Accounts receivable, net	(18,048)		(18,048)
Prepaid expenses	(55,329)		(55,329)
Increase (decrease) in:			
Accounts payable	158,692		158,692
Prepaid assessments	(2,625)		(2,625)
Prepaid rent	(2,500)		(2,500)
Sales tax payable	(962)		(962)
Operating lease liabilities	(25,683)		(25,683)
Contract liabilities (assessments received in advance - reserve fund)		321,483	321,483
Total Adjustments	<u>144,430</u>	<u>321,483</u>	<u>465,913</u>
 <b>Net Cash Provided by Operating Activities</b>	<u>\$ 1,237,078</u>	<u>\$ 325,389</u>	<u>\$ 1,562,467</u>

See the independent auditor's report and accompanying notes.



**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 – NATURE OF ASSOCIATION**

Grand Panama Beach Resort Condominium Association, Inc. (the “Association”) is a statutory condominium association incorporated in the State of Florida on July 12, 2004. Membership in the Association consists of the 299 residential condominium unit owners and six commercial units owned by the Association. The six commercial units consist of Tiki 1, Tiki 2, Suite 100, Suite 200, Suite 300, and the Front Desk space. As of December 31, 2022, five of six units were leased out to third parties. The condominium is located on approximately five acres in Bay County, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unity owners in common, including swimming pools, roofs, building exteriors, parking garages and areas, elevators, recreation areas, etc. Disposition of common area property requires consent of the members.

All policy decisions, including the annual budget and owners’ assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

Management and accounting services for the year were provided to the Association by Resort Collection Association Management, Inc. The Association does not operate a rental program; instead, individual unit owners may contract with various real estate companies to lease their individual units, or individual unit owners may manage their individual units themselves.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting:*

The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting.

*Fund Accounting:*

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions placed 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 and to account for any special assessments.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements of designated common elements that require replacement less frequently than annually.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Revenue Recognition:*

Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the reserve fund assessments are satisfied when these funds are expended for their designated purpose. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet. Special assessments are recognized as revenue when the corresponding liabilities and expenses are incurred, with any excess revenue reported as deferred assessments on the balance sheet, unless otherwise directed by the Board and Members.

*Accounts Receivable from Owners and Allowance for Doubtful Accounts:*

Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date primarily consists of assessments but may also include other owner billed charges, such as, late fees, interest, and work orders. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are delinquent. As of December 31, 2022, the Association has owner receivables of \$41,445. The Association's management has made an assessment of the collectability of receivables and determined that \$19,292 in allowance for uncollectible receivables is necessary at December 31, 2022. The total net balance in accounts receivable is \$22,153. Any excess assessments at year end are retained by the Association for use in the succeeding year.

*Estimates:*

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

*Common Elements:*

The unit owners each have an undivided ownership interest in the common elements (e.g., roof, swimming pool, etc.) and these assets are not deemed to be severable. Accordingly, such common elements are not capitalized and not reflected in these financial statements. Generally, only property and equipment for which the Association holds title is recorded as an asset of the Association. However, the Association is responsible for preserving and maintaining the common property.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Prepaid Expenses:*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the balance sheet. These items will be expensed over the applicable usage period.

*Income Taxes:*

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association has made an election for 2022 to be taxed as a regular corporation. Under the election, the Association is not taxed on assessments from members and other income received from association members solely as a function of their membership in the Association. The Association is taxed on its non-exempt function income, such as interest income. As a result, income tax does not relate to the excess of revenue over expenses.

*Property and Equipment:*

Equipment of the Association is recorded at cost and is depreciated by straight-line methods over the estimated useful lives of individual assets. Estimated useful lives are generally five to seven years. The six commercial units were purchased by the Association in 2020 and are recorded at cost and are depreciated by straight-line methods over thirty-nine years.

*Statement of Cash Flows:*

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

*Contract Liabilities:*

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 replacement reserve assessments and special assessments.

*Right-of-use Assets and Lease Liabilities:*

Effective January 1, 2022, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, using the modified retrospective transition method. Under Topic 842, a lessee is required to recognize a right-of-use asset (ROU) and a lease liability based on the present value of the remaining lease payments. The Association determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Association recognizes a lease liability and a right-of-use asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Right-of-use Assets and Lease Liabilities (Continued):*

Lessor accounting remains largely unchanged from previous guidance, with the majority of changes allowing for better alignment with the new lessee model and ASC Topic 606. There was no cumulative effect adjustment to the Association's accumulated earnings as a result of the adoption of this standard.

Key estimates and judgments related to leases include how the Association determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Association uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Association generally uses its estimated incremental borrowing rate or elects to use the risk-free interest rate as the discount rate for leases of all underlying classes of assets and common property, as applicable. The lease term includes the noncancellable period of the lease, as well as expected renewal terms. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Association has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. The Association recognized lease cost associated with its short-term leases on a straight-line basis over the lease term.

The Association has made the accounting policy election to not separate lease components from non-lease components when allocating contract consideration for all underlying classes of assets and common property, as applicable. The Association has elected to use the practical expedient package to carryforward the operating classification from ASC 840 and carryforward previously capitalized initial direct costs under ASC 840, as applicable.

The Association monitors changes in circumstances that would require a remeasurement of its leases and will remeasure right-of-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability. The Association has not elected the hindsight practical expedient.

**NOTE 3 – ANNUAL BUDGET AND OWNERS' ASSESSMENTS**

Revenues and expenses are allocated to the unit owners based on each unit's square footage and accordingly, assessments are established using this formula. The rates for 2022 ranged from \$460 to \$1,155 per month for the residential units. The six commercial units ranged from \$99 to \$1,339 per month for 2022. Regular assessments for the year ended December 31, 2022 totaled \$2,264,575 of which \$450,000 was allocated to the Reserve Fund.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 3 – ANNUAL BUDGET AND OWNERS’ ASSESSMENTS (Continued)**

The following table reconciles budgeted regular assessments to the amount recognized as assessment revenue in the statement of revenues, expenses, and changes in fund balances:

	For the year ended December 31, 2022		
	Operating Fund	Reserve Fund	Total
Budgeted regular assessments	\$ 1,814,575	\$ 450,000	\$ 2,264,575
Less additions to contract liabilities	-	(321,483)	(321,483)
Total assessments	\$ 1,814,575	\$ 128,517	\$ 1,943,092

**NOTE 4 – RESTRICTED CASH**

Restricted cash represents cash required to be used for specified purposes only and is, therefore, unavailable for operating purposes. Details as of December 31, 2022, are as follows:

<u>Reserve Fund</u> –	
Reserve Fund cash – restricted to use in repairing or replacing identified common elements	\$ 2,262,547

**NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association’s governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments. Accumulated funds are held in separate bank accounts and generally not available for expenditures for normal operations.

The Board of Directors and management annually review the major components of common property utilizing a study conducted in 2018 by an independent engineering firm. As a part of this review, the Association Board and management re-evaluate the estimated remaining useful lives and the estimated replacement costs of each of the components of the Reserve Fund. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the board and management’s review and the study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the Board of Directors’ and management’s estimates of current replacement costs and considering amounts previously accumulated in the Reserve Fund. Accordingly, the funding requirement of \$450,000 based on the Board’s full funded plan, has been included in the 2022 budget.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS** (Continued)

The accumulated interest earnings related to the reserve fund are not subject to ASC Topic 606 and are reported in the reserve fund balance. An adjustment between contract liabilities (assessments received in advance – reserve fund) and reserve fund balance was made effective January 1, 2022, to correct the recognition of reserve interest income on the face of the financial statements. Beginning reserve fund balance was increased and beginning contract liabilities (assessments received in advance – reserve fund) was decreased by \$21,853. The reassignment of accumulated interest earnings was calculated using a lookback period to 2018.

Actual expenditures may vary from the estimated amounts, and variations may be significant. Therefore, amounts accumulated in the Reserve Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

**NOTE 6 – INCOME TAXES**

The Association filed its tax return for 2022 as a regular corporation on Form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made.

For the year ended December 31, 2022, there were no federal or state income taxes paid. The Association has loss carryforwards totaling \$159,723 that may be offset against future taxable income. The carryforwards do not have an expiration date.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and State taxing agencies. Management has analyzed the tax positions taken by the Association, and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in operating expense. For the year ended December 31, 2022, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 7 – DUE TO/DUE FROM ACCOUNTS**

The due to/due from accounts represent the amount one fund owes another fund. Various scenarios may cause this situation which include, but are not limited to, one fund paying the expenses of another fund, one fund borrowing from another fund, or the operating fund not paying the full annual budgeted contribution amount to the reserve fund. There was no change in the current year balance from the prior year.

The balance of the interfund accounts as of December 31, 2022, is \$165 due from the Reserve fund to the Operating Fund.

**NOTE 8 – CONCENTRATION OF CREDIT RISK**

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens which have priority. Market value may be influenced by the real estate market in Panama City Beach, Florida.

The Association maintains its cash balances at various financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2022, the Association had no uninsured cash.

**NOTE 9 – CONTINGENCIES**

The insurance policy for windstorm coverage renewed in May 2022. The deductible amount for named hurricane storms is estimated at \$2,287,058 which represents 3% of the insured value of the common property and commercial units.

**NOTE 10 – NOTE PAYABLE**

In December 2020, the Association obtained a loan from BancorpSouth Bank to fund the purchase of the six commercial units. This is a balloon note in the amount of \$2,300,000. The Association will make monthly payments in the amount of \$14,318 until the maturity date on December 28, 2025, when the final principal payment together with accrued interest will be paid in full. This monthly amount includes interest that accrues annually at 4.25%. The Association incurred debt issuance costs of \$36,784 which will be amortized over the life of the loan.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 – NOTE PAYABLE (Continued)**

Long-term debt at December 31, 2022, consisted of the following:

Note payable to financial institution	\$ 2,139,302
Less: Unamortized debt issuance costs	<u>(22,402)</u>
Long-term debt, less unamortized debt issuance costs	2,116,900
Less: current portion	<u>(82,486)</u>
Total long-term debt, less current portion	<u>\$ 2,034,414</u>

Amortization of the debt issuance costs is reported as interest expense in the statement of revenues, expenses, and changes in fund balances.

Maturities of the principal balances, excluding debt issue costs, for the next five years are as follows:

2023	\$ 82,486
2024	86,061
2025	<u>1,970,755</u>
	<u>\$ 2,139,302</u>

**NOTE 11 – REVENUE RECOGNITION**

The Association’s customers consist of its members, which are unit owners with the development. The contracts between these customers and the Association primarily relate to maintaining, managing, and providing access to the property and amenities owned in common by the unit owners.

*Performance Obligations*

The Association’s revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, special assessments, and recovery of bad debt, which are being recognized at a point in time, and interest income, which is not subject to ASC Topic 606. As of December 31, 2022, the Association has reported a performance obligation liability totaling \$2,236,623, relating to the future major repair and/or replacement of specific components of common property. This is recorded as contract liabilities (assessments received in advance – reserve fund) on the balance sheet. The assessments related to this performance obligation are generally reported in the Reserve Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.



**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 11 – REVENUE RECOGNITION** (Continued)

*Significant Judgments*

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association’s efforts towards the satisfaction of a performance obligation. For operating fund amounts, except for recovery of bad debt, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For recovery of bad debt, revenue is recognized as delinquent owners make payments on or a court order demands that they make future payments on balances being offset by an allowance for doubtful accounts. For reserve fund amounts, the Association recognizes revenue at the point in time when reserve expenses are incurred.

*Disaggregated Revenue*

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows.

The following chart contains disaggregated revenue information that reflects these qualitative factors.

For the year ended December 31,	<u>2022</u>
<i>Recognized over time</i>	
Operating assessments	\$ 1,814,575
Beach service	61,800
Rental income	234,615
 <i>Recognized at a point in time</i>	
Reserve assessments	128,517
 <i>Not subject to ASC Topic 606</i>	
Security reimbursement	308,900
Hurricane Michael insurance proceeds, net	1,406,892
Other insurance proceeds	191,301
Miscellaneous income	11,951
Late fees	3,569
Interest income	<u>8,606</u>
Total revenues	<u>\$ 4,170,726</u>

The following table presents information about accounts receivable, contract assets, and contract liabilities:

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**NOTE 11 – REVENUE RECOGNITION (Continued)**

<i>December 31,</i>	<u>2022</u>
Accounts receivable, net – beginning balance	\$ 4,105
Accounts receivable, net – ending balance	22,153
Contract assets – no beginning or ending balance for the year	
Contract liabilities:	
Assessments received in advance – reserve fund – beginning balance	1,915,140
Assessments received in advance – reserve fund – ending balance	2,236,623

**NOTE 12 – LEASES – LESSORS**

*Leases as lessor*

The Association has 6 operating leases regarding its commercial units, which generate rental income from tenants and operating cash flows for the Association. Tenant leases generally have lease terms of 3 years or less, with one or more renewal options available upon expiration of the initial lease term. Contractual rent increases for the renewal options are often fixed at the time of the initial lease agreement which may result in tenants being able to exercise their renewal options at amounts that are less than the fair value of the rent at the date of renewal.

The components of rental revenue for the year ended December 31, 2022 were as follows:

Rental Revenue:	
Fixed lease revenue	\$ 172,200
Non lease rental revenue	<u>62,415</u>
Total rental revenue	<u><u>234,615</u></u>

*Property and equipment under operating leases as lessor*

As of December 31, 2022, substantially all of the Association’s real estate assets are subject to operating leases.

*Maturity analysis of lease payments as lessor*

The Association’s operating leases are disclosed in the aggregate due to their consistent nature as real estate leases. As of December 31, 2022, the undiscounted cash flows to be received from lease payments of the operating leases on an annual basis for the next five years and thereafter are as follows:

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 12 – LEASES – LESSORS (Continued)**

Year Ending December 31,	
2023	\$ 172,200
2024	172,200
2025	172,200
2026	172,200
2027	97,200
Thereafter	<u>231,500</u>
Total undiscounted cash flows	<u>\$ 1,017,500</u>

**NOTE 13 – LEASES – LESSEES**

The Association leases security camera equipment from ProComm Solutions, LLC. The lease is billed based on number of security cameras in use and expires in August of 2026, with an automatic renewal of 5 years unless either party is notified in writing at least ninety days prior to the ending date of the initial term. At December 31, 2022, 74 cameras were in use.

The following summarized the line items in the balance sheet which include amounts for operating leases as of December 31, 2022:

	<u>2022</u>
Operating Leases	
Operating lease right-of-use assets, net	<u>\$ 275,042</u>
Current maturities of operating lease liabilities	\$ 26,765
Operating lease liabilities, net of current maturities	<u>252,734</u>
Total operating lease liabilities	<u>279,499</u>

The following summarized the weighted average remaining lease term and discount rate as of December 31:

	<u>2022</u>
Weighted Average Remaining Lease Term	
Operating leases	8.59 years
Weighted Average Discount Rate	
Operating leases	1.63%

The future minimum lease payment for the following succeeding years, remaining under noncancelable operating leases with initial or remaining lease terms in excess of one year consisted of the following at December 31:

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
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**NOTE 13 – LEASES – LESSEES** (Continued)

Year ending December 31,	
2023	\$ 31,080
2024	31,080
2025	31,080
2026	33,152
2027	37,296
Thereafter	<u>136,752</u>
Total minimum lease payments	300,440
Less: amount representing interest	<u>(20,941)</u>
Present value of operating lease liabilities	279,499
Less: current maturities of operating lease liabilities	<u>(26,765)</u>
Remaining balance of operating lease liabilities	<u><u>252,734</u></u>

Total operating lease expense for the year ended December 31, 2022, was \$37,001 (amortization of \$30,140, interest of \$4,732, and sales tax of \$2,129).

***Supplemental cash flow information***

	<b><u>2022</u></b>
Cash paid for operating lease liabilities	\$ 30,415
ROU assets obtained in exchange for lease obligations	\$ 304,761

**NOTE 14 – INSURANCE PROCEEDS AND EXPENSES**

On October 10, 2018, the Association was directly impacted by Hurricane Michael and suffered major damage to its common property. As of December 31, 2022, the Association received \$3,284,799 in insurance proceeds and incurred \$993,334 in related expenses. Of these amounts, \$2,223,821 of proceeds and \$816,929 of expenses were recorded in 2022. The Association does not expect to receive additional insurance proceeds after year end. The Association expects to incur additional expenses after year end, however, as of May 3, 2023 the amount cannot be determined.

On November 14, 2021, a contractor performing services for the Association crushed the main sewer line causing significant damage to its common property. During the year, the Association received \$191,301 in insurance proceeds and incurred \$191,301 in related expenses. The Association does not expect to receive additional proceeds or incur additional related expenses after year end.

**NOTE 15 – SUBSEQUENT EVENTS**

The Association has evaluated subsequent events requiring disclosure or recording in these financial statements through May 3, 2023, the date which the financial statements were available to be issued.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**OPERATING FUND**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance- Favorable (Unfavorable) (Unaudited)</u>
<b>Revenues:</b>			
Regular assessments	\$ 1,814,575	\$ 1,814,570	\$ 5
Security reimbursement	308,900	225,000	83,900
Beach service	61,800	61,800	0
Late fees	3,569		3,569
Hurricane Michael insurance proceeds (net of related expenses of \$816,929)	1,406,892		1,406,892
Other insurance proceeds	191,301		191,301
Interest income	4,700		4,700
Miscellaneous income	11,951	240,550	(228,599)
Rental income	234,615	222,102	12,513
Total revenues	4,038,303	2,564,022	1,474,281
<b>Expenses:</b>			
Administrative	30,565	20,722	(9,843)
Assessment expense	45,597	26,610	(18,987)
Contracts	451,988	387,012	(64,976)
Depreciation	58,975		(58,975)
Inspections	27,278	13,500	(13,778)
Insurance and bonds	447,276	374,120	(73,156)
Interest	98,605	99,812	1,207
Legal and professional	54,868	58,811	3,943
Licenses and fees	3,946	3,582	(364)
Miscellaneous	17,703		(17,703)
Repairs and maintenance -			
Building	149,688	111,845	(37,843)
Pool	117,412	92,521	(24,891)
Equipment	37,195	81,240	44,045
Grounds	25,938	32,908	6,970
Salaries and wages	461,048	479,733	18,685
Utilities	718,319	683,047	(35,272)
Expenses covered by insurance	191,301		(191,301)
Commercial rental expenses -			
Property taxes	6,068		(6,068)
Repairs and maintenance	1,885		(1,885)
Total expenses	2,945,655	2,465,462	(480,193)
<b>Other Budgeted Items:</b>			
Contingency contribution		26,560	
Loan repayment		72,000	
Total other budgeted items		98,560	
<b>Excess of Revenues Over Expenses</b>	<b>\$ 1,092,648</b>	<b>\$ 0</b>	<b>\$ 994,088</b>

See independent auditor's report.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**SCHEDULE OF CHANGES IN CONTRACT LIABILITIES - POOLED**  
**RESERVE FUND**  
**YEAR ENDED DECEMBER 31, 2022**

Components	Beginning Balance *1/1/2022	Additions	Expenditures	Reserve Fund Contract Liabilities Balance 12/31/2022
Exterior building elements			\$ 34,380	
Interior building elements			10,127	
Building services elements			84,010	
Property site elements				
Ground-level pool elements				
Plaza deck pool elements				
Garage elements				
Reserve study update				
Total	\$ 1,915,140	\$ 450,000	\$ 128,517	\$ 2,236,623

\*See Note 5

See independent auditor's report.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS (UNAUDITED)**  
**YEAR ENDED DECEMBER 31, 2022**

The Board of Directors annually reviews the major components of common property. As a part of this review, the Association engaged an independent consultant who conducted a study in 2018 to estimate the remaining useful lives and the replacement costs of the common property components. In 2018, the Association voted to pool the components. Estimates were developed based on the estimated costs to repair or replace the common property components at the date of the study. The following table is based on the Board's modification of the study and presents significant information about the components of common property. Actual expenditures, however, may vary from the estimated amounts and the variation may be material.

<u>Components</u>	<u>Estimated Remaining Lives (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Reserve Fund Contract Liabilities Balance at 12/31/2022</u>	<u>Budgeted Funding Amount for 2023</u>
Exterior building elements	4-19	\$ 4,503,140		
Interior building elements	0-14	315,250		
Building services elements	2-21	2,062,776		
Property site elements	1-21	224,731		
Ground-level pool elements	2-11	341,165		
Plaza deck pool elements	5-8	41,306		
Garage elements	0-14	966,750		
Reserve study update	0	4,900		
<b>Total</b>		<u>\$ 8,460,018</u>	<u>\$ 2,236,623</u>	<u>\$ 360,000</u>

See independent auditor's report.