

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

PANAMA CITY BEACH, FLORIDA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017



Tipton, Marler, Garner & Chastain
The CPA Group

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.

PANAMA CITY BEACH, FLORIDA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Grand Panama Beach Resort Condominium Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Grand Panama Beach Resort Condominium Association, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on page 11 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.



Panama City Beach, Florida
April 16, 2018

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2017

ASSETS

	Operating Fund	Reserve Fund	Total	2016 Total (For Comparative Purposes Only)
Current Assets:				
Cash, including interest-bearing deposits	\$ 85,818	\$ 959,418	\$ 1,045,236	\$ 469,563
Assessments receivable (net of allowance for doubtful accounts of \$27,307)	113,391	-	113,391	260,808
Accounts receivable - special assessments	2,534	-	2,534	20,457
Due from operating fund	-	-	-	476,516
Due from reserve fund	5,155	-	5,155	-
Deposit on reserve expenditure	-	-	-	24,462
Prepaid insurance and other expenses	146,213	-	146,213	144,486
Total current assets	353,111	959,418	1,312,529	1,396,292
Property and Equipment:				
Equipment	67,098	-	67,098	67,098
Less accumulated depreciation	(65,949)	-	(65,949)	(63,195)
Net property and equipment	1,149	-	1,149	3,903
Other Assets:				
Utility deposit	8,795	-	8,795	8,795
Total Assets	\$ 363,055	\$ 959,418	\$ 1,322,473	\$ 1,408,990

LIABILITIES AND FUND BALANCES

Current Liabilities:				
Due to operating fund	\$ -	\$ 5,155	\$ 5,155	\$ -
Due to reserve fund	-	-	-	476,516
Accounts payable	8,248	39,850	48,098	117,368
Accounts payable - other	-	-	-	2,897
Prepaid assessments	34,853	-	34,853	46,051
Note payable - insurance	66,663	-	66,663	43,623
Payroll liabilities	4,088	-	4,088	10,789
Total current liabilities	113,852	45,005	158,857	697,244
Fund Balances	249,203	914,413	1,163,616	711,746
Total Liabilities and Fund Balances	\$ 363,055	\$ 959,418	\$ 1,322,473	\$ 1,408,990

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, 2017

	Operating Fund	Reserve Fund	Total	2016 Total (For Comparative Purposes Only)
Revenues:				
Regular assessments	\$ 1,558,052	\$ 226,443	\$ 1,784,495	\$ 1,738,123
Special assessments	423,854	-	423,854	-
Beach access	35,000	-	35,000	35,000
Miscellaneous income	6,366	-	6,366	5,746
Previously written off bad debt	12,909	-	12,909	3,769
Registration income	116,563	-	116,563	118,186
Interest income	143	473	616	202
Late fees	1,331	-	1,331	1,524
Total revenues	<u>2,154,218</u>	<u>226,916</u>	<u>2,381,134</u>	<u>1,902,550</u>
Expenses:				
Administrative	26,946	-	26,946	38,887
Cable	119,417	-	119,417	129,418
Depreciation	2,754	-	2,754	4,806
Electricity	144,396	-	144,396	141,793
Employee wages	266,561	-	266,561	322,181
Gas	17,515	-	17,515	15,544
Insurance	240,890	-	240,890	265,735
Interest	3,180	-	3,180	1,744
Landscaping	28,568	-	28,568	32,028
Legal	6,574	-	6,574	4,720
License, fees, and taxes	4,485	-	4,485	4,084
Management and accounting	134,152	-	134,152	138,046
Pest control	5,074	-	5,074	10,515
Refuse removal	58,123	-	58,123	45,033
Registration labor	14,543	-	14,543	29,547
Repairs and maintenance	275,384	-	275,384	194,793
Reserve expense	-	241,765	241,765	47,681
Security service	117,269	-	117,269	122,547
Telephone	17,549	-	17,549	17,465
Water and sewer	192,162	-	192,162	194,672
Miscellaneous expense	11,957	-	11,957	760
Total expenses	<u>1,687,499</u>	<u>241,765</u>	<u>1,929,264</u>	<u>1,761,999</u>
Excess of revenues over (under) expenses	466,719	(14,849)	451,870	140,551
Fund Balances (Deficit):				
Beginning of year,	<u>(217,516)</u>	<u>929,262</u>	<u>711,746</u>	<u>571,195</u>
End of year	<u>\$ 249,203</u>	<u>\$ 914,413</u>	<u>\$ 1,163,616</u>	<u>\$ 711,746</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, 2017

	Operating Fund	Reserve Fund	Total	2016 Total (For Comparative Purposes Only)
Cash Flows From Operating Activities:				
Cash received from assessments	\$ 2,136,048	\$ 226,443	\$ 2,362,491	\$ 1,628,709
Cash received from other sources	172,169	-	172,169	164,225
Interest received	143	473	616	202
Cash paid to vendors, employees, etc.	(1,805,190)	(177,453)	(1,982,643)	(1,763,006)
Net cash provided by operating activities	<u>503,170</u>	<u>49,463</u>	<u>552,633</u>	<u>30,130</u>
Cash Flows From Financing Activities:				
Proceeds from issuance of note payable	164,783	-	164,783	113,120
Principal payments on note payable	(141,743)	-	(141,743)	(109,142)
Interfund transfers, net	(481,671)	481,671	-	-
Net cash provided by (used in) financing activities	<u>(458,631)</u>	<u>481,671</u>	<u>23,040</u>	<u>3,978</u>
Net Increase in Cash and Cash Equivalents	44,539	531,134	575,673	34,108
Cash and Cash Equivalents at Beginning of Year	<u>41,279</u>	<u>428,284</u>	<u>469,563</u>	<u>435,455</u>
Cash and Cash Equivalents at End of Year	<u>\$ 85,818</u>	<u>\$ 959,418</u>	<u>\$ 1,045,236</u>	<u>\$ 469,563</u>
Reconciliation of Excess of Revenues Over (Under) Expenses to Net Cash Provided by (Used in) Operating Activities:				
Excess of revenues over (under) expenses	\$ 466,719	\$ (14,849)	\$ 451,870	\$ 140,551
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:				
Depreciation	2,754	-	2,754	4,806
(Increase) decrease in:				
Assessments and accounts receivable	165,340	-	165,340	(90,440)
Prepaid insurance and other expenses	(1,727)	-	(1,727)	22,267
Deposit on reserve expenditure	-	24,462	24,462	(24,462)
Increase (decrease) in:				
Prepaid assessments	(11,198)	-	(11,198)	(18,974)
Accounts payable	(112,017)	39,850	(72,167)	(11,150)
Payroll liabilities	(6,701)	-	(6,701)	7,532
Total Adjustments	<u>36,451</u>	<u>64,312</u>	<u>100,763</u>	<u>(110,421)</u>
Net Cash Provided by Operating Activities	<u>\$ 503,170</u>	<u>\$ 49,463</u>	<u>\$ 552,633</u>	<u>\$ 30,130</u>

See the independent auditor's report and accompanying notes.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 is limited to the owners of units in the Grand Panama Beach Resort Owners Association. The Association is responsible for the operation and maintenance of the common property and is supported by monthly assessment fees. The Grand Panama Beach Resort Condominium Association, Inc. Phase I of the III Phases, consists of 299 individual residential units with six non-residential units and is located at 11800 Front Beach Road, Panama City Beach, Florida.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the process by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

The Association maintains two funds. The Operating Fund is used to account for financial resources available for the general operations of the Association. The Reserve Fund is used to account for resources restricted for future major repairs and replacements of designated common elements that require replacement less frequently than annually. The disbursements from the Reserve Fund may only be utilized in accordance with the established purposes for accumulation.

Basis of Accounting:

The financial statements are prepared on the accrual basis of accounting. Assessments and other income are recorded as revenue when earned. Revenue received in advance is reported as prepaid assessments on the balance sheet. Expenses are recorded when goods are received or services are rendered, whether paid or unpaid.

Assessments Receivable:

Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. 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, 2017, the Association has owner receivables of \$140,698. The Association's management has made the assessment of the collectability of receivables and determined that an allowance for uncollectible receivables of \$27,307 exists at December 31, 2017. Any excess assessments at year end are retained by the Association for use in the succeeding year.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition:

Regular assessments to members are recognized as revenue during the period for which they are assessed. 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 its members.

Basis of Presentation:

The accompanying financial statements include the assets, liabilities, fund balances, revenues and expenses as determined using the accrual basis of accounting. The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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.

Income Taxes:

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association has made an election for 2017 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.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property and Equipment:

Furniture and equipment of the Association are recorded at cost and are depreciated by accelerated and straight line methods over the estimated useful lives of individual assets. Estimated useful lives are generally five to seven years.

NOTE 3 – ANNUAL BUDGET AND OWNERS' ASSESSMENTS

The Association's by-laws require that the Board of Directors adopt a budget each year for operations. Generally, each unit owner is liable for their proportional share of common expenses based on unit type. Assessments are made against the unit owners for their share of the budget. Such assessments are due in monthly installments.

Regular assessments budgeted and actual for the current year totaled \$1,558,052. Reserve assessments budgeted and actual for the current year totaled \$226,443.

The Association collected a one-time special assessment in the amount of \$423,854 for repayment of the amount due from the Operating to the Reserve fund.

NOTE 4 – 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 \$914,413 as of December 31, 2017 are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned to the separate components of the Reserve Fund.

The Association is currently funding for such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or delay repairs and replacements until funds are available.

At December 31, 2017, the Association Reserve Fund owed the Operating Fund \$5,155.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The activity in the reserve fund for the year ended December 31, 2017 is presented as follows:

<u>Components</u>	<u>Beginning Balance, 01/01/17</u>	<u>Funding</u>	<u>Expenditures</u>	<u>Interest</u>	<u>Ending Balance 12/31/17</u>
Exterior paint and sealants	\$ 76,474	\$ 69,059	\$ 126,779	\$ 72	\$ 18,826
Pavement resurfacing	158,267	16,000	-	49	174,316
Roof	188,769	19,573	-	58	208,400
Fire sprinkler system	100,278	16,134	26,347	47	90,112
Concrete sealants	57,220	28,571	47,700	39	38,130
Generator	45,981	9,500	-	27	55,508
Water pressure system	46,587	5,200	-	16	51,803
Contingency building	5,911	2,950	-	6	8,867
Guard shack/mech arms	31,632	3,200	-	10	34,842
Trash compactor	10,790	1,300	-	4	12,094
Contingency common area	28,828	15,100	35,249	26	8,705
Storm water facility	14,370	2,000	-	6	16,376
Elevators	125,052	20,000	-	59	145,111
Pool filters/heater	20,674	4,035	5,690	11	19,030
Pool painting/marketing	7,291	7,281	-	23	14,595
Pool furniture	4,254	4,212	-	13	8,479
Painting of parking garage	6,884	2,328	-	7	9,219
Total	<u>\$ 929,262</u>	<u>\$ 226,443</u>	<u>\$ 241,765</u>	<u>\$ 473</u>	<u>\$ 914,413</u>

NOTE 5 – 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 several financial institutions located in Panama City Beach, Florida. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Association's uninsured cash balance is \$308,004.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – RESTRICTED CASH

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

Reserve Fund –

Reserve Fund Cash – restricted to use in repairing or replacing identified common elements. The balance as of December 31, 2017 is \$959,418.

NOTE 7 – NOTE PAYABLE

Note payable - insurance

Interest at 4.550%, collateralized by unearned premiums, principal and interest of \$16,824 is payable monthly, beginning July 2017, maturity date April 2018.

\$ 66,663

NOTE 8 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ 3,180
Incomes taxes	0

NOTE 9 – RELATED PARTY TRANSACTIONS

The Association has contracted with Emerald View Association Management, LLC (“EVAM”) for management services. The contract commenced January 1, 2014 and expires December 31, 2018. Management fee expense totaled \$120,375 for the year ended December 31, 2017.

EVAM pays the Association assessments for their proportionate share of common expenses for the units they own. Assessment income from EVAM totaled \$31,371 for regular assessments and \$13,094 for reserve assessments for the year ended December 31, 2017.

NOTE 10 – SUBSEQUENT EVENTS

The Association did not have any subsequent events requiring disclosure or recording in the financial statements through April 16, 2018, which is the date these financial statements were issued.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2017

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 2012 to estimate the remaining useful lives and the replacement costs of the common property 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 Balance at 12/31/2017</u>	<u>Amount Required for Full Funding for 2018</u>
Exterior paint and sealants	8	\$ 477,028	\$ 18,826	\$ 57,275
Pavement resurfacing	3	160,000	174,316	-
Roof	23	587,200	208,400	16,470
Fire sprinkler system	18	403,358	90,112	17,403
Concrete sealants	0	200,000	38,130	161,870
Generator	23	285,000	55,508	9,978
Water pressure system	3	52,000	51,803	66
Contingency building	13	59,000	8,867	3,856
Guard shack/mech arms	3	32,000	34,842	-
Trash compactor	3	13,000	12,094	302
Contingency common area	0	75,500	8,705	66,795
Storm water facility	13	40,000	16,376	1,817
Elevators	13	400,000	145,111	19,607
Pool filters/heater	53	24,208	19,030	98
Pool painting/marketing	1	58,243	14,595	43,648
Pool furniture	1	36,697	8,479	28,218
Painting of parking garage	8	34,924	9,219	3,213
Total		<u>\$ 2,938,158</u>	<u>\$ 914,413</u>	<u>\$ 430,614</u>

See the independent auditor's report