

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.

PANAMA CITY BEACH, FLORIDA

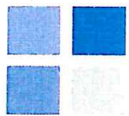
FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
PANAMA CITY BEACH, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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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

We have audited the accompanying financial statements of Grand Panama Beach Resort Condominium Association, Inc., which comprise the balance sheet as of December 31, 2019, 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, 2019, 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 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 15 and 16 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 that 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 required supplementary information on page 17 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.

Tipton, Morley, Garner, & Chastain

Panama City Beach, Florida
April 22, 2020

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

	Operating Fund	Reserve Fund	Total
Current Assets:			
Cash - operating	\$ 186,515		\$ 186,515
Cash - restricted		\$ 1,352,793	1,352,793
Accounts receivable, net	78,131		78,131
Prepaid expenses	104,146		104,146
Due from reserve fund	165		165
Total current assets	368,957	1,352,793	1,721,750
Property and Equipment:			
Equipment	67,098		67,098
Less accumulated depreciation	(67,098)		(67,098)
Net property and equipment	0	0	0
Other Assets:			
Utility deposit	9,979	0	9,979
Total Assets	\$ 378,936	\$ 1,352,793	\$ 1,731,729

LIABILITIES AND FUND BALANCES

Current Liabilities:			
Accounts payable	\$ 29,970		\$ 29,970
Prepaid assessments	50,727		50,727
Due to operating fund		\$ 165	165
Total current liabilities	80,697	165	80,862
Long-term Liabilities:			
Contract liabilities (assessments received in advance - reserve fund)		1,352,628	1,352,628
Total liabilities	80,697	1,352,793	1,433,490
Fund Balances:			
Restricted		0	0
Unrestricted	298,239		298,239
Total fund balances	298,239	0	298,239
Total Liabilities and Fund Balances	\$ 378,936	\$ 1,352,793	\$ 1,731,729

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, 2019

	Operating Fund	Reserve Fund	Total
Revenues:			
Regular assessments	\$ 1,543,830	\$ 160,921	\$ 1,704,751
Parking pass income	167,164		167,164
Beach service	45,000		45,000
Late fees	30,339		30,339
Interest income	1,906	10,127	12,033
Bad debt recovery	16,736		16,736
Miscellaneous income	8,315		8,315
Total revenues	<u>1,813,290</u>	<u>171,048</u>	<u>1,984,338</u>
Expenses:			
Accounting	12,000		12,000
Administrative	18,388		18,388
Depreciation	383		383
Employee wages	354,864		354,864
Hurricane repairs	8,280		8,280
Insurance	234,547		234,547
Interest	634		634
Landscaping	24,237		24,237
Legal	14,620		14,620
License, fees, and taxes	3,684		3,684
Management	127,000		127,000
Miscellaneous expense	2,630		2,630
Pest control	7,224		7,224
Refuse removal	86,066		86,066
Repairs and maintenance	295,594		295,594
Security service	161,747		161,747
Utilities	460,398		460,398
Reserve expenditures		171,048	171,048
Total expenses	<u>1,812,296</u>	<u>171,048</u>	<u>1,983,344</u>
Excess of revenues over expenses	994	0	994
Fund Balances:			
Beginning of year, as adjusted	317,971	0	317,971
Prior period adjustment	(20,726)		(20,726)
Beginning of year, restated	<u>297,245</u>	<u>0</u>	<u>297,245</u>
End of year	<u>\$ 298,239</u>	<u>\$ 0</u>	<u>\$ 318,965</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, 2019

	Operating Fund	Reserve Fund	Total
Cash Flows From Operating Activities:			
Cash received from assessments	\$ 1,513,861	\$ 479,000	\$ 1,992,861
Cash received from other revenues	267,554		267,554
Interest received	1,906	10,127	12,033
Interest paid	(634)		(634)
Cash paid to vendors, employees, etc.	(1,914,092)	(171,048)	(2,085,140)
Net cash provided by (used in) operating activities	<u>(131,405)</u>	<u>318,079</u>	<u>186,674</u>
Cash Flows From Financing Activities:			
Interfund transfers, net	15,036	(15,036)	0
Net cash provided by (used in) financing activities	<u>15,036</u>	<u>(15,036)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(116,369)	303,043	186,674
Cash and Cash Equivalents at Beginning of Year	<u>302,884</u>	<u>1,049,750</u>	<u>1,352,634</u>
Cash and Cash Equivalents at End of Year	<u>\$ 186,515</u>	<u>\$ 1,352,793</u>	<u>\$ 1,539,308</u>
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Excess of revenues over expenses	\$ 994	\$ 0	\$ 994
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:			
Depreciation	383		383
(Increase) decrease in:			
Accounts receivable	(31,964)		(31,964)
Prepaid expenses	(14,900)		(14,900)
Utility deposit	(1,184)		(1,184)
Increase (decrease) in:			
Accounts payable	(19,729)		(19,729)
Prepaid assessments	1,995		1,995
Insurance notes payable	(66,827)		(66,827)
Payroll liabilities	(173)		(173)
Contract liabilities (assessments received in advance - reserve fund)		318,079	318,079
Total Adjustments	<u>(132,399)</u>	<u>318,079</u>	<u>185,680</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ (131,405)</u>	<u>\$ 318,079</u>	<u>\$ 186,674</u>

See the independent auditor's report and accompanying notes.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 unit owners of this Florida condominium. 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 pool, 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 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 Florida Statutes and the established purposes for accumulation.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, the Association has owner receivables of \$185,547. The Association's management has made the assessment of the collectability of receivables and determined that an allowance for uncollectible receivables of \$107,416 exists at December 31, 2019. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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.

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, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment:

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

Income Taxes:

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association has made an election for 2019 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.

Contract Liabilities (assessments received in advance – reserve fund):

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – reserve fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance – reserve fund) as of the beginning and end of the year are \$1,034,549 and \$1,352,628, respectively.

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.

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.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 2019 ranged from \$411 to \$1,032 per month for the residential units. The six commercial units ranged from \$88 to \$1,196 per month for 2019. Regular assessments for the year ended December 31, 2019 totaled \$1,543,830 of which \$479,000 was allocated to the Reserve Fund.

NOTE 4 – 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	\$ 1,352,793
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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 \$479,000 based on the Board’s full funded plan, has been included in the 2019 budget.

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.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – INCOME TAXES

The Association filed its tax return for 2019 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, 2019, the Association had a net non-membership income of \$1,574 that was offset by the net operating loss carryforward and therefore, no federal or state tax provision is recorded. The remaining net operating loss carryforward as of December 31, 2019 totaled \$7,587 and begins to expire in 2036.

The Association is not aware of any uncertain tax positions that would require disclosure or accrual in the financial statements.

NOTE 7 – 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, 2019, the Association had no uninsured cash.

NOTE 8 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$	634
Income taxes	\$	0

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – CONTINGENCIES

The insurance policy for windstorm coverage renewed in May 2019. The deductible amount for named hurricane storms is estimated at \$1,313,402 which represents 2% of the insured value of the residential buildings.

After Hurricane Michael in October 2018, the Association was not billed for several months for cable services by WOW! (October 2018 through March 2019). According to the Association's contract with WOW!, the monthly amount for cable services is \$7,220.52. These services were not charged to the Association for October, November, and December 2018 due to power outages caused by the hurricane. However, services and billings were to proceed as normal for January 2019 and forward. The invoices received from WOW! for March through December 2019 were for the wrong amount at \$3,044.96 per month. The Association paid the correct contracted amount of \$7,220.52 for January through July 2019 despite the invoices received from WOW! stating a different amount which is what they were instructed to do by the WOW! account representative until the billing could be corrected. After several attempts to get WOW! to correct their monthly billing, nothing has changed. After WOW! applied the January through July 2019 payments by the Association to the incorrect invoices, it generated a large credit balance. As of December 31, 2019, the Association's credit balance with WOW! for cable services was \$21,543.67. It is uncertain if the Association will be charged for the difference in what should have been billed versus what was billed for the year 2019. The amount of this difference is \$36,103 as of December 31, 2019.

NOTE 10 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Associations (CIRA)*, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities (assessments received in advance – reserve fund), as previously described.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION
(Continued)

The adoption of the requirements of new revenue recognition guidance resulted in the following change to Reserve Fund Balance as of January 1, 2019.

Reserve Fund Balance, as previously reported at January 1, 2019	\$ 1,049,639
Prior period correction	<u>(15,090)</u>
Beginning of year, restated	1,034,549
Adjustment	<u>(1,034,549)</u>
 Reserve Fund Balance, as adjusted, at January 1, 2019	 <u><u>\$ 0</u></u>

The effect of the adoption is a decrease in 2019 assessments by \$318,079 and a recording of contract liabilities (assessments received in advance – reserve fund) at December 31, 2019 of \$1,352,628. The Association has no customer contract modifications that had an effect on the Association’s transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

<u>Reserve Fund:</u>	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Long-term Liabilities:</u>			
Contract liabilities (assessments received in advance – reserve fund)	\$ 0	\$ 1,352,628	\$ 1,352,628
Total liabilities	<u>\$ 0</u>	<u>\$ 1,352,628</u>	<u>\$ 1,352,628</u>
<u>Fund Balance:</u>			
Reserve fund balance	\$ 1,352,628	\$ (1,352,628)	\$ 0

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION
(Continued)

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

<u>Reserve Fund:</u>	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Revenues:</u>			
Reserve assessments	\$ 479,000	\$ (318,079)	\$ 160,921
Excess of revenues over expenses	318,079	(318,079)	0
<u>Cash Flows:</u>			
Excess of revenues over expenses	\$ 318,079	\$ (318,079)	\$ 0
Increase in contract liabilities (assessments received in advance – reserve fund)	0	318,079	318,079

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The beginning Operating Fund balance at December 31, 2019 has been restated from the amount previously reported to reflect a correction of the Association's prepaid insurance and accounts payable accounts. The amount of the adjustment is a decrease of \$20,726 to the Operating Fund.

NOTE 12 – PRIOR YEAR CORRECTION

The beginning balance of contract liabilities (assessments received in advance – reserve fund) at January 1, 2019 was restated to reflect corrections to Reserve Fund activity. The amount of the adjustment is a decrease of \$15,090.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events requiring disclosure or recording in these financial statements through April 22, 2020, the date which the financial statements were available to be issued. The World Health Organization has declared a pandemic due to COVID-19. As a result of the spread of COVID-19, economic uncertainties have arisen. It is unknown at this time whether Grand Panama Beach Resort Condominium Association, Inc., will have any negative impact from the COVID-19 pandemic.

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL -
OPERATING FUND
YEAR ENDED DECEMBER 31, 2019

	Actual	Budget (Unaudited)	Variance- Favorable (Unfavorable) (Unaudited)
Revenues:			
Regular assessments	\$ 1,543,830	\$ 1,543,820	\$ 10
Parking pass income	167,164	150,000	17,164
Beach service	45,000	35,000	10,000
Late fees	30,339		30,339
Interest income	1,906		1,906
Bad debt recovery	16,736		16,736
Miscellaneous income	8,315	3,500	4,815
Total revenues	<u>1,813,290</u>	<u>1,732,320</u>	<u>80,970</u>
Expenses:			
Accounting	12,000	13,500	1,500
Administrative	18,388	17,822	(566)
Bad debt		5,000	5,000
Depreciation	383	2,380	1,997
Employee wages	354,864	344,775	(10,089)
Hurricane repairs	8,280		(8,280)
Insurance	234,547	247,449	12,902
Interest	634		(634)
Landscaping	24,237	29,443	5,206
Legal	14,620	5,000	(9,620)
License, fees, and taxes	3,684	3,635	(49)
Management	127,000	127,000	0
Miscellaneous expense	2,630	500	(2,130)
Pest control	7,224	5,772	(1,452)
Refuse removal	86,066		(86,066)
Repairs and maintenance	295,594	211,141	(84,453)
Security service	161,747	176,675	14,928
Utilities	460,398	542,228	81,830
Total expenses	<u>1,812,296</u>	<u>1,732,320</u>	<u>(79,976)</u>
Excess of Revenues Over Expenses	<u>\$ 994</u>	<u>\$ 0</u>	<u>\$ 994</u>

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, 2019

Components	Beginning Balance 1/1/2019*	Prior Period Adjustment	Additions	Expenditures	Interest Earned	Reserve Fund Contract Liabilities Balance 12/31/2019
Exterior building elements						
Interior building elements						
Building services elements			\$	(57,029)		
Property site elements						
Ground-level pool elements				(86,469)		
Plaza deck pool elements				(27,550)		
Garage elements	\$	(15,090)				
Reserve study update	\$	(15,090)	\$	479,000	\$	10,127
Total	<u>\$ 1,049,639</u>	<u>\$ (15,090)</u>	<u>\$ 479,000</u>	<u>\$ (171,048)</u>	<u>\$ 10,127</u>	<u>\$ 1,352,628</u>

* Adopted ASU 2014-09, see Note 10

GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2019

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.

Components	Estimated Remaining Lives (Years)	Estimated Current Replacement Cost	Reserve Fund Contract Liabilities Balance at 12/31/2019	Amount Required for Full Funding for 2020
Exterior building elements	0 - 22	\$ 4,503,140		
Interior building elements	3 - 18	315,250		
Building services elements	1 - 20	2,062,776		
Property site elements	0 - 23	224,731		
Ground-level pool elements	0 - 13	341,165		
Plaza deck pool elements	0 - 6	41,306		
Garage elements	0 - 18	966,750		
Reserve study update	0	4,900		
Total		<u>\$ 8,460,018</u>	<u>\$ 1,352,628</u>	<u>\$ 479,000</u>

See independent auditor's report.