

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

**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

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

**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

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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, 2020, 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, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***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 14 and 15 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 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Tipton, Marler, Garner & Chastain*

Panama City Beach, Florida  
April 12, 2021

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**

**ASSETS**

	Operating Fund	Reserve Fund	Total
<b>Current Assets:</b>			
Cash - operating	\$ 376,191		\$ 376,191
Cash - restricted		\$ 1,586,481	1,586,481
Accounts receivable, net	15,524		15,524
Prepaid expenses	112,407		112,407
Due from reserve fund	165		165
<b>Total current assets</b>	<b>504,287</b>	<b>1,586,481</b>	<b>2,090,768</b>
<b>Property and Equipment:</b>			
Commercial units	2,300,000		2,300,000
Equipment	49,820		49,820
Less accumulated depreciation	(49,820)		(49,820)
<b>Net property and equipment</b>	<b>2,300,000</b>	<b>0</b>	<b>2,300,000</b>
<b>Other Assets:</b>			
Utility deposit	9,979		9,979
<b>Total other assets</b>	<b>9,979</b>	<b>0</b>	<b>9,979</b>
<b>Total Assets</b>	<b>\$ 2,814,266</b>	<b>\$ 1,586,481</b>	<b>\$ 4,400,747</b>

**LIABILITIES AND FUND BALANCES**

<b>Current Liabilities:</b>			
Accounts payable	\$ 124,111		\$ 124,111
Prepaid assessments	77,404		77,404
Current maturities of note payable	68,219		68,219
Due to operating fund		\$ 165	165
<b>Total current liabilities</b>	<b>269,734</b>	<b>165</b>	<b>269,899</b>
<b>Long-term Liabilities:</b>			
Note payable, net of unamortized issuance costs, less current maturities	2,194,997		2,194,997
Contract liabilities (assessments received in advance - reserve fund)		1,586,316	1,586,316
<b>Total long-term liabilities</b>	<b>2,194,997</b>	<b>1,586,316</b>	<b>3,781,313</b>
<b>Total liabilities</b>	<b>2,464,731</b>	<b>1,586,481</b>	<b>4,051,212</b>
<b>Fund Balances:</b>			
Restricted		0	0
Unrestricted	349,535		349,535
<b>Total fund balances</b>	<b>349,535</b>	<b>0</b>	<b>349,535</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,814,266</b>	<b>\$ 1,586,481</b>	<b>\$ 4,400,747</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, 2020**

	Operating Fund	Reserve Fund	Total
<b>Revenues:</b>			
Regular assessments	\$ 1,672,830	\$ 116,312	\$ 1,789,142
Parking pass income	158,560		158,560
Beach service	50,000		50,000
Late fees	8,072		8,072
Insurance proceeds	2,725		2,725
Interest income	1,273	6,263	7,536
Bad debt recovery	52,346		52,346
Miscellaneous income	20,395		20,395
Total revenues	<u>1,966,201</u>	<u>122,575</u>	<u>2,088,776</u>
<b>Expenses:</b>			
Administrative	9,864		9,864
Contracts	365,663		365,663
Hurricane	76,211		76,211
Inspections	25,248		25,248
Insurance and bonds	264,917		264,917
Legal and professional	60,653		60,653
Licenses and fees	2,486		2,486
Miscellaneous	12,841		12,841
Repairs and maintenance -			
Building	104,123		104,123
Pool	33,556		33,556
Equipment	42,531		42,531
Grounds	39,742		39,742
Salaries and wages	379,362		379,362
Utilities	491,755		491,755
Reserve expenditures		122,575	122,575
Commercial rental expenses -			
Miscellaneous	486		486
Total expenses	<u>1,909,438</u>	<u>122,575</u>	<u>2,032,013</u>
Excess of revenues over expenses	56,763	0	56,763
<b>Fund Balances:</b>			
Beginning of year	298,239	0	298,239
Prior period adjustment	(5,467)		(5,467)
Beginning of year, restated	<u>292,772</u>	<u>0</u>	<u>292,772</u>
End of year	<u>\$ 349,535</u>	<u>\$ 0</u>	<u>\$ 349,535</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, 2020**

	Operating Fund	Reserve Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from assessments	\$ 1,814,460	\$ 350,000	\$ 2,164,460
Cash received from other revenues	239,752		239,752
Interest received	1,273	6,263	7,536
Cash paid to vendors, employees, etc.	(1,829,025)	(122,575)	(1,951,600)
Net cash provided by operating activities	<u>226,460</u>	<u>233,688</u>	<u>460,148</u>
<b>Cash Flows From Investing Activities:</b>			
Purchase of capital assets	(2,300,000)		(2,300,000)
Net cash used in investing activities	<u>(2,300,000)</u>	<u>0</u>	<u>(2,300,000)</u>
<b>Cash Flows From Financing Activities:</b>			
Proceeds of long-term debt	2,300,000		2,300,000
Payments for debt issue costs	(36,784)		(36,784)
Net cash provided by financing activities	<u>2,263,216</u>	<u>0</u>	<u>2,263,216</u>
<b>Net Increase in Cash and Cash Equivalents</b>	189,676	233,688	423,364
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>186,515</u>	<u>1,352,793</u>	<u>1,539,308</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 376,191</u>	<u>\$ 1,586,481</u>	<u>\$ 1,962,672</u>
<b>Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:</b>			
Excess of revenues over expenses	<u>\$ 56,763</u>	<u>\$ 0</u>	<u>\$ 56,763</u>
<b>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</b>			
(Increase) decrease in:			
Accounts receivable	62,607		62,607
Prepaid expenses	(8,261)		(8,261)
Increase (decrease) in:			
Accounts payable	88,674		88,674
Prepaid assessments	26,677		26,677
Contract liabilities (assessments received in advance - reserve fund)		233,688	233,688
Total Adjustments	<u>169,697</u>	<u>233,688</u>	<u>403,385</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 226,460</u>	<u>\$ 233,688</u>	<u>\$ 460,148</u>

See the independent auditor's report and accompanying notes.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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 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, 2020**

**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, 2020, the Association has owner receivables of \$38,971. The Association's management has made the assessment of the collectability of receivables and determined that an allowance for uncollectible receivables of \$23,447 exists at December 31, 2020. The total net balance in accounts receivable is \$15,524. 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, 2020**

**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 2020 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:*

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. The six commercial units were purchased by the Association during 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 (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 \$1,352,628 and \$1,586,316, respectively.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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 2020 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 2020. Regular assessments for the year ended December 31, 2020 totaled \$2,022,830 of which \$350,000 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	\$ 1,586,481
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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 \$350,000 based on the Board’s full funded plan, has been included in the 2020 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, 2020**

**NOTE 6 – INCOME TAXES**

The Association filed its tax return for 2020 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, 2020, the Association had a net non-membership income of \$6,360 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, 2020 totaled \$1,227 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, 2020, the Association had no uninsured cash.

**NOTE 8 – CONTINGENCIES**

*Windstorm coverage deductible:*

The insurance policy for windstorm coverage renewed in May 2020. The deductible amount for named hurricane storms is estimated at \$1,313,402 which represents 2% of the insured value of the residential buildings.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 8 – CONTINGENCIES (Continued)**

*WOW! Cable bills:*

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 2019 through December 2020 were for the wrong amount at \$3,034.96 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 at December 31, 2019. The credit balance with WOW! for cable services was \$21,543.67. This credit was utilized in the beginning of 2020 and after the credit was used WOW! continued to bill the incorrect amount through the end of 2020. It is uncertain if the Association will be charged for the difference in what should have been billed versus what was billed for the years 2019 and 2020. The amount of this difference is \$106,646 as of December 31, 2020 and is not recorded in these financial statements.

**NOTE 9 – 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.

Long-term debt at December 31, 2020, consisted of the following:

Note payable to financial institution	\$ 2,300,000
Less: Unamortized debt issuance costs	<u>(36,784)</u>
Long-term debt, less unamortized debt issuance costs	2,263,216
Less: current portion	<u>(68,219)</u>
Total long-term debt, less current portion	<u>\$ 2,194,997</u>

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

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 9 – NOTE PAYABLE (Continued)**

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

2021	\$ 68,219
2022	71,453
2023	74,840
2024	78,388
2025	<u>1,970,316</u>
	<u>\$ 2,263,216</u>

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

The beginning Operating Fund balance at December 31, 2020 has been restated from the amount previously reported to reflect the correction of 2019 expenses recorded in 2020. The expenses should have been recognized and accrued in 2019. The amount of the adjustment is a decrease of \$5,467 to the Operating Fund.

**NOTE 11 – OPERATING LEASES – COMMERCIAL UNITS**

On December 22, 2020, the Association entered into an agreement with Lifes A Beach Real Estate LLC for the use of one of the Association’s commercial units. The lease is for a three-year period beginning on January 1, 2021 and expiring on January 1, 2024. Future minimum rental payments to be received are as follows:

2021	\$ 30,000
2022	30,000
2023	<u>30,000</u>
Total	<u>\$ 90,000</u>

**NOTE 11 – UNCERTAINTIES**

As a result of the COVID-19 pandemic in the United States, economic uncertainties have arisen which may have a negative impact on Grand Panama Beach Resort Condominium Association, Inc.’s financial results in the future. The extent of the impact of COVID-19 on the operational and financial performance will depend on certain developments, including duration of the pandemic, impact on investors, employees and vendors, all of which are uncertain at this time. The extent to which COVID-19 may impact the Grand Panama Beach Resort Condominium Association, Inc.’s financial condition or results in the future is uncertain.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 12 – SUBSEQUENT EVENTS**

*Operating Leases – Commercial Units:*

On January 6, 2021, the Association entered into an agreement with A&W of PCB LLC for the use of two of the Association’s commercial units. The lease is for a period of one year beginning on January 6, 2021 and expiring on January 6, 2022. Future rental payments to be received total \$50,000.

On January 8, 2021, the Association entered into an agreement with Ann Shank with Panhandle Getaways for the use of one of the Association’s commercial units. The lease is for a three-year period beginning on February 1, 2021 and expiring on August 1, 2024. Future minimum rental payments to be received are as follows:

2021	\$ 55,000
2022	60,000
2023	60,000
2024	<u>40,000</u>
Total	<u>\$ 215,000</u>

The agreement allows for the possibility of increases to the monthly rental payments.

The Association has evaluated subsequent events requiring disclosure or recording in these financial statements through April 12, 2021, 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, 2020**

	Actual	Budget (Unaudited)	Variance- Favorable (Unfavorable) (Unaudited)
<b>Revenues:</b>			
Regular assessments	\$ 1,672,830	\$ 1,672,820	\$ 10
Parking pass income	158,560	172,764	(14,204)
Beach service	50,000	50,000	0
Late fees	8,072		8,072
Insurance proceeds	2,725		2,725
Interest income	1,273		1,273
Bad debt recovery	52,346		52,346
Miscellaneous income	20,395		20,395
Total revenues	1,966,201	1,895,584	70,617
<b>Expenses:</b>			
Administrative	9,864	19,154	9,290
Contracts	365,663	336,044	(29,619)
Inspections	25,248	10,810	(14,438)
Insurance and bonds	264,917	307,653	42,736
Hurricane	76,211		(76,211)
Legal and professional	60,653	18,741	(41,912)
Licenses and fees	2,486	3,582	1,096
Miscellaneous	12,841	25,869	13,028
Repairs and maintenance -			
Building	104,123	101,035	(3,088)
Pool	33,556	36,686	3,130
Equipment	42,531	24,857	(17,674)
Grounds	39,742	2,500	(37,242)
Salaries and wages	379,362	411,408	32,046
Utilities	491,755	597,245	105,490
Commercial rental expenses -			
Miscellaneous	486		(486)
Total expenses	1,909,438	1,895,584	(13,854)
<b>Excess of Revenues Over Expenses</b>	<b>\$ 56,763</b>	<b>\$ 0</b>	<b>\$ 56,763</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, 2020**

Components	Beginning Balance 1/1/2020	Additions	Expenditures	Interest Earned	Reserve Fund Contract Liabilities Balance 12/31/2020
Exterior building elements					
Interior building elements					
Building services elements			\$ (122,575)		
Property site elements					
Ground-level pool elements					
Plaza deck pool elements					
Garage elements					
Reserve study update					
<b>Total</b>	<u>\$ 1,352,628</u>	<u>\$ 350,000</u>	<u>\$ (122,575)</u>	<u>\$ 6,263</u>	<u>\$ 1,586,316</u>

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, 2020**

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 12/31/2020</u>	<u>Budgeted Funding Amount for 2021</u>
Exterior building elements	0 - 21	\$ 4,503,140		
Interior building elements	2 - 17	315,250		
Building services elements	2 - 24	2,062,776		
Property site elements	0 - 22	224,731		
Ground-level pool elements	5 - 14	341,165		
Plaza deck pool elements	5 - 11	41,306		
Garage elements	0 - 17	966,750		
Reserve study update	2	4,900		
<b>Total</b>		<b>\$ 8,460,018</b>	<b>\$ 1,586,316</b>	<b>\$ 350,000</b>

See independent auditor's report.