

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

**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2021**

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

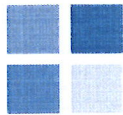
**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2021**

**CONTENTS**

	<u>PAGE</u>
Independent auditor's report	1
Financial statements:	
Balance sheet	4
Statement of revenues, expenses, and changes in fund balances	5
Statement of cash flows	6
Notes to financial statements	7
Supplementary information:	
Schedule of revenues and expenses – budget and actual – Operating Fund	15
Schedule of changes in contract liabilities – pooled – Reserve Fund	16
Supplementary information on future major repairs and replacements (unaudited)	17



## **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, 2021, 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, 2021, 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 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 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 17 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  
April 27, 2022

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2021**

**ASSETS**

	Operating Fund	Reserve Fund	Total
<b>Current Assets:</b>			
Cash - operating	\$ 1,000,870		\$ 1,000,870
Cash - restricted		\$ 1,937,158	1,937,158
Accounts receivable, net	4,105		4,105
Prepaid expenses	145,652		145,652
Due from reserve fund	165		165
Total current assets	<u>1,150,792</u>	<u>1,937,158</u>	<u>3,087,950</u>
<b>Property and Equipment:</b>			
Commercial units	2,300,000		2,300,000
Equipment	49,820		49,820
Less accumulated depreciation	(108,794)		(108,794)
Net property and equipment	<u>2,241,026</u>	<u>0</u>	<u>2,241,026</u>
<b>Other Assets:</b>			
Utility deposit	9,979		9,979
Total other assets	<u>9,979</u>	<u>0</u>	<u>9,979</u>
<b>Total Assets</b>	<u>\$ 3,401,797</u>	<u>\$ 1,937,158</u>	<u>\$ 5,338,955</u>

**LIABILITIES AND FUND BALANCES**

<b>Current Liabilities:</b>			
Accounts payable	\$ 56,952		\$ 56,952
Prepaid assessments	98,748		98,748
Prepaid rent	2,500		2,500
Sales tax payable	962		962
Current maturities of note payable	79,237		79,237
Due to operating fund		\$ 165	165
Total current liabilities	<u>238,399</u>	<u>165</u>	<u>238,564</u>
<b>Long-term Liabilities:</b>			
Note payable, net of unamortized issuance costs, less current maturities	2,110,870		2,110,870
Contract liabilities (assessments received in advance - reserve fund)		1,936,993	1,936,993
Total long-term liabilities	<u>2,110,870</u>	<u>1,936,993</u>	<u>4,047,863</u>
Total liabilities	<u>2,349,269</u>	<u>1,937,158</u>	<u>4,286,427</u>
<b>Fund Balances:</b>			
Restricted		0	0
Unrestricted	1,052,528		1,052,528
Total fund balances	<u>1,052,528</u>	<u>0</u>	<u>1,052,528</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,401,797</u>	<u>\$ 1,937,158</u>	<u>\$ 5,338,955</u>

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, 2021**

	Operating Fund	Reserve Fund	Total
<b>Revenues:</b>			
Regular assessments	\$ 1,672,830		\$ 1,672,830
Security reimbursement	224,057		224,057
Beach service	60,000		60,000
Late fees	2,875		2,875
Hurricane Michael insurance proceeds (net of related expenses of \$88,144)	972,834		972,834
Other insurance proceeds	5,000		5,000
Interest income	829	\$ 1,250	2,079
Bad debt recovery	21,741		21,741
Miscellaneous income	12,379		12,379
Rental income	141,876		141,876
Total revenues	<u>3,114,421</u>	<u>1,250</u>	<u>3,115,671</u>
<b>Expenses:</b>			
Administrative	24,963		24,963
Assessment expense	40,729		40,729
Contracts	398,245		398,245
Depreciation	58,974		58,974
Inspections	8,328		8,328
Insurance and bonds	327,867		327,867
Interest	101,993		101,993
Legal and professional	13,818		13,818
Licenses and fees	3,582		3,582
Miscellaneous	15,537		15,537
Repairs and maintenance -			
Building	217,639		217,639
Pool	67,038		67,038
Equipment	47,668		47,668
Grounds	24,965		24,965
Salaries and wages	430,658		430,658
Utilities	606,296		606,296
Reserve expenditures		1,250	1,250
Commercial rental expenses -			
Miscellaneous	8,193		8,193
Property taxes	6,259		6,259
Repairs and maintenance	8,676		8,676
Total expenses	<u>2,411,428</u>	<u>1,250</u>	<u>2,412,678</u>
Excess of revenues over expenses	702,993	0	702,993
<b>Fund Balances:</b>			
Beginning of year	<u>349,535</u>	<u>0</u>	<u>349,535</u>
End of year	<u>\$ 1,052,528</u>	<u>\$ 0</u>	<u>\$ 1,052,528</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, 2021**

	Operating Fund	Reserve Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from assessments	\$ 1,727,469	\$ 350,000	\$ 2,077,469
Cash received from other revenues	299,311		299,311
Cash received from insurance proceeds	1,065,978		1,065,978
Cash received from commercial rental income	144,241		144,241
Interest received	829	1,927	2,756
Interest paid	(89,380)		(89,380)
Cash paid to vendors, employees, etc.	(2,438,048)	(1,250)	(2,439,298)
Net cash provided by operating activities	<u>710,400</u>	<u>350,677</u>	<u>1,061,077</u>
<b>Cash Flows From Financing Activities:</b>			
Principal payments on note payable	(85,721)		(85,721)
Net cash used in financing activities	<u>(85,721)</u>	<u>0</u>	<u>(85,721)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	624,679	350,677	975,356
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>376,191</u>	<u>1,586,481</u>	<u>1,962,672</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 1,000,870</u></u>	<u><u>\$ 1,937,158</u></u>	<u><u>\$ 2,938,028</u></u>
<b>Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:</b>			
Excess of revenues over expenses	\$ 702,993	\$ 0	\$ 702,993
<b>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</b>			
Debt issuance costs	12,612		12,612
Depreciation	58,974		58,974
(Increase) decrease in:			
Accounts receivable, net	11,419		11,419
Prepaid expenses	(33,245)		(33,245)
Increase (decrease) in:			
Accounts payable	(67,159)		(67,159)
Prepaid assessments	21,344		21,344
Prepaid rent	2,500		2,500
Sales tax payable	962		962
Contract liabilities (assessments received in advance - reserve fund)		350,677	350,677
Total Adjustments	<u>7,407</u>	<u>350,677</u>	<u>358,084</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 710,400</u></u>	<u><u>\$ 350,677</u></u>	<u><u>\$ 1,061,077</u></u>

See the independent auditor's report and accompanying notes.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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, 2021, two 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, 2021**

**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, 2021, the Association has owner receivables and other miscellaneous receivables of \$5,811. The Association's management has made an assessment of the collectability of receivables and determined that \$1,706 in allowance for uncollectible receivables is necessary at December 31, 2021. The total net balance in accounts receivable is \$4,105. 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, 2021**

**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 2021 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 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 (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 \$1,586,316 and \$1,936,993, respectively.



**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 2021 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 2021. Regular assessments for the year ended December 31, 2021 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	\$ 1,937,158
---	--------------

**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 2021 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, 2021**

**NOTE 6 – INCOME TAXES**

The Association filed its tax return for 2021 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, 2021, there were no federal or state income taxes paid. The Association has loss carryforwards totaling \$113,351 that may be offset against future taxable income. The carryforwards do not have an expiration date.

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, 2021, the Association had no uninsured cash.

**NOTE 8 – CONTINGENCIES**

*Windstorm deductible:*

The insurance policy for windstorm coverage renewed in May 2021. The deductible amount for named hurricane storms is estimated at \$1,984,956 which represents 3% of the insured value of the common property and commercial units.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 had 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. The difference of what should have been billed versus what was billed for the years 2019 and 2020 amounted to \$106,646 as of December 31, 2020. During 2021, WOW! agreed to not back bill the Association for the difference.

**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, 2021, consisted of the following:

Note payable to financial institution	\$ 2,214,279
Less: Unamortized debt issuance costs	<u>(24,172)</u>
Long-term debt, less unamortized debt issuance costs	2,190,107
Less: current portion	<u>(79,237)</u>
Total long-term debt, less current portion	<u>\$ 2,110,870</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, 2021**

**NOTE 9 – NOTE PAYABLE (Continued)**

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

2022	\$ 79,237
2023	82,671
2024	86,254
2025	<u>1,966,117</u>
	<u>\$ 2,214,279</u>

**NOTE 10 – 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:

2022	\$ 30,000
2023	<u>30,000</u>
Total	<u>\$ 60,000</u>

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:

2022	\$ 60,000
2023	60,000
2024	<u>40,000</u>
Total	<u>\$ 160,000</u>

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

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 11 – 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, 2021, the Association received \$1,060,978 in insurance proceeds and incurred \$176,405 in related expenses. Of these amounts, \$1,060,978 of proceeds and \$88,144 of expenses were recorded in 2021. The Association expects to receive additional insurance proceeds totaling \$2,223,821 after year end. The Association expects to incur additional expenses after year end, however, as of April 27, 2022 the amount cannot be determined.

**NOTE 12 – 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.

**NOTE 13 – SUBSEQUENT EVENTS**

*Operating Leases – Commercial Units:*

On January 3, 2022, the Association entered into an agreement with A&W of PCB LLC for the use of three of the Association's commercial units. The lease is for a period of three years beginning on January 3, 2022, and expiring on January 3, 2025, with the possibility of extending two additional years. Future rental payments to be received total \$175,000 with additional payment benchmarks built into the contract.

The Association has evaluated subsequent events requiring disclosure or recording in these financial statements through April 27, 2022, 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, 2021**

	Actual	Budget (Unaudited)	Variance- Favorable (Unfavorable) (Unaudited)
<b>Revenues:</b>			
Regular assessments	\$ 1,672,830	\$ 1,672,820	\$ 10
Security reimbursement	224,057	167,163	56,894
Beach service	60,000	60,000	0
Late fees	2,875		2,875
Hurricane Michael insurance proceeds (net of related expenses of \$88,144)	972,834		972,834
Other insurance proceeds	5,000		5,000
Interest income	829		829
Bad debt recovery	21,741		21,741
Miscellaneous income	12,379		12,379
Rental income	141,876		141,876
Total revenues	<u>3,114,421</u>	<u>1,899,983</u>	<u>1,214,438</u>
<b>Expenses:</b>			
Administrative	24,963	15,455	(9,508)
Assessment expense	40,729		(40,729)
Contracts	398,245	357,511	(40,734)
Depreciation	58,974		(58,974)
Inspections	8,328	16,000	7,672
Insurance and bonds	327,867	296,683	(31,184)
Interest	101,993		(101,993)
Legal and professional	13,818	28,030	14,212
Licenses and fees	3,582	3,582	0
Miscellaneous	15,537	26,560	11,023
Repairs and maintenance -			
Building	217,639	74,450	(143,189)
Pool	67,038	24,850	(42,188)
Equipment	47,668	24,750	(22,918)
Grounds	24,965	31,500	6,535
Salaries and wages	430,658	413,092	(17,566)
Utilities	606,296	587,520	(18,776)
Commercial rental expenses -			
Miscellaneous	8,193		(8,193)
Property taxes	6,259		(6,259)
Repairs and maintenance	8,676		(8,676)
Total expenses	<u>2,411,428</u>	<u>1,899,983</u>	<u>(511,445)</u>
<b>Excess of Revenues Over Expenses</b>	<u>\$ 702,993</u>	<u>\$ (0)</u>	<u>\$ 702,993</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, 2021**

Components	Beginning Balance 1/1/2021	Additions	Expenditures	Interest Earned	Reserve Fund Contract Liabilities Balance 12/31/2021
Exterior building elements					
Interior building elements					
Building services elements					
Property site elements			\$ (1,250)		
Ground-level pool elements					
Plaza deck pool elements					
Garage elements					
Reserve study update					
Total	<u>\$ 1,586,316</u>	<u>\$ 350,000</u>	<u>\$ (1,250)</u>	<u>\$ 1,927</u>	<u>\$ 1,936,993</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, 2021**

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 12/31/2021	Budgeted Funding Amount for 2022
Exterior building elements	1-20	\$ 4,503,140		
Interior building elements	1-16	315,250		
Building services elements	1 -23	2,062,776		
Property site elements	1 -23	224,731		
Ground-level pool elements	4 - 13	341,165		
Plaza deck pool elements	0 - 10	41,306		
Garage elements	1 - 16	966,750		
Reserve study update	1	4,900		
Total		<u>\$ 8,460,018</u>	<u>\$ 1,936,993</u>	<u>\$ 450,000</u>

See independent auditor's report.