

CARTER & COMPANY

Certified Public Accountants, LLC

Grand Panama Beach Resort Condominium Association, Inc.

Financial Statements
with Supplementary Information and
Independent Auditor's Report

December 31, 2024

Table of Contents

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Independent Auditor's Report 1

Balance Sheet..... 3

Statement of Revenues, Expenses and Changes in Fund Balance 4

Statement of Cash Flows 5

Notes to Financial Statements..... 7

Supplementary Information 16

CARTER & COMPANY

Certified Public Accountants, LLC

543 Harbor Blvd.
Suite 201
Destin, Florida 32541
Phone: 850-650-0125
Fax: 850-650-0126

Independent Auditor's Report

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

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, 2024 and the related statements of revenue, expenses and changes in fund balance 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, 2024, 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.

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, including omissions, 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.

CARTER & COMPANY

Certified Public Accountants, LLC

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 16 and 17 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 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements shown on page 18 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.

Destin, Florida
July 22, 2025

Carter & Company

Balance Sheet

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

	<u>Assets</u>		
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash	\$ 17,227	\$ 3,015,382	\$ 3,032,609
Assessments receivable, net	52,945	-	52,945
Prepaid expenses	413,653	-	413,653
Utility deposit	9,980	-	9,980
Property and equipment, net	2,064,102	-	2,064,102
Operating lease right of use assets, net	219,259	-	219,259
Unbilled special assessments	951,197	-	951,197
	<u>3,728,363</u>	<u>3,015,382</u>	<u>6,743,745</u>
Total assets	\$ <u>3,728,363</u>	\$ <u>3,015,382</u>	\$ <u>6,743,745</u>

<u>Liabilities and Fund Balance</u>			
Accounts payable	\$ 21,331	\$ -	\$ 21,331
Prepaid assessments	32,203	-	32,203
Insurance note payable	184,947	-	184,947
Note payable - line of credit	1,041,936	-	1,041,936
Operating lease liabilities	219,259	-	219,259
Performance obligations	981,546	2,689,623	3,671,169
Interfund balance	300,000	(300,000)	-
Total liabilities	<u>2,781,222</u>	<u>2,389,623</u>	<u>5,170,845</u>
Fund balance	<u>947,141</u>	<u>625,759</u>	<u>1,572,900</u>
Total liabilities and fund balance	\$ <u>3,728,363</u>	\$ <u>3,015,382</u>	\$ <u>6,743,745</u>

The Notes to Financial Statements are an integral part of these Statements.

Statement of Revenues, Expenses and Changes in Fund Balance

Grand Panama Beach Resort Condominium Association, Inc.

For the year ended December 31, 2024

	Operating Fund	Replacement Fund	Total
<u>Revenues</u>			
Assessment fees	\$ 2,532,271	\$ 467,896	\$ 3,000,167
Special assessment	920,848	-	920,848
Security reimbursement	426,637	-	426,637
Beach service	85,000	-	85,000
Rental income, net of assessment expense	189,623	-	189,623
Vending income	8,740	-	8,740
Other owner income	9,310	-	9,310
Miscellaneous income	4,015	-	4,015
Interest income	20,900	99,845	120,745
Total revenues	<u>4,197,344</u>	<u>567,741</u>	<u>4,765,085</u>
<u>Expenses</u>			
General and administrative expenses	20,708	-	20,708
Licenses and inspections	40,774	-	40,774
Legal and professional expenses	68,671	-	68,671
Miscellaneous expenses	105,751	-	105,751
Depreciation	58,974	-	58,974
Insurance expenses	789,139	-	789,139
Utilities	603,508	-	603,508
Personnel expense	481,379	-	481,379
Contract services	516,413	-	516,413
Maintenance expenses	294,043	567,741	861,784
Other expenses	30,455	-	30,455
Total expenses	<u>3,009,815</u>	<u>567,741</u>	<u>3,577,556</u>
Excess (deficit) of revenues over expenses	1,187,529	-	1,187,529
Interfund transfer	(600,000)	600,000	-
Beginning fund balances	<u>359,612</u>	<u>25,759</u>	<u>385,371</u>
Ending fund balances	<u>\$ 947,141</u>	<u>\$ 625,759</u>	<u>\$ 1,572,900</u>

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

Grand Panama Beach Resort Condominium Association, Inc.

For the year ended December 31, 2024

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities:			
Assessment fees	\$ 2,389,538	\$ 754,200	\$ 3,143,738
Special assessment	951,197	-	951,197
Other income	723,325	-	723,325
Interest income	20,900	99,845	120,745
Cash paid for expenses	(2,983,272)	(567,741)	(3,551,013)
Interfund transfers	(483,046)	483,046	-
Net cash provided by (used in) operating activities	<u>618,642</u>	<u>769,350</u>	<u>1,387,992</u>
Cash Flows From Financing Activities:			
Payments on note payable	<u>(1,000,901)</u>	<u>-</u>	<u>(1,000,901)</u>
Net cash provided by (used in) financing activities	(1,000,901)	-	(1,000,901)
Net increase (decrease) in cash	(382,259)	769,350	387,091
Cash, cash equivalents, and restricted cash beginning of year	<u>399,486</u>	<u>2,246,032</u>	<u>2,645,518</u>
Cash, cash equivalents, and restricted cash end of year	<u>\$ 17,227</u>	<u>\$ 3,015,382</u>	<u>\$ 3,032,609</u>

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows - continued

Grand Panama Beach Resort Condominium Association, Inc.

For the year ended December 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Reconciliation of excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:			
Excess (deficit) of revenues over expenses	\$ 1,187,529	\$ -	\$ 1,187,529
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:			
Depreciation	58,974	-	58,974
Decrease (increase) in:			
Receivables, net	(45,396)	-	(45,396)
Prepaid expenses	(147,272)	-	(147,272)
Unbilled special assessments	(951,197)	-	(951,197)
Increase (decrease) in:			
Accounts payable	(83,731)	-	(83,731)
Prepaid assessments	(83,712)	-	(83,712)
Insurance note payable	184,947	-	184,947
Deferred revenue	981,546	-	981,546
Performance obligations	-	286,304	286,304
Interfund balance	(483,046)	483,046	-
	<u>(568,887)</u>	<u>769,350</u>	<u>200,463</u>
Net cash provided by (used in) operating activities	<u>\$ 618,642</u>	<u>\$ 769,350</u>	<u>\$ 1,387,992</u>

The Notes to Financial Statements are an integral part of these Statements.

Notes to Financial Statements

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 1 – Organization

Grand Panama Beach Resort Condominium Association, Inc. (the “Association”), a Florida not-for-profit corporation, was formed on July 12, 2004. Membership in the Association consists of the 299 residential condominium units and six commercial units. 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, 2024, five of six units were leased out to third parties. The condominium is located on approximately 5 acres in Bay County, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including swimming pools, roofs, building exteriors, parking garages and areas, elevators, recreation areas, etc. Disposition of common area property is restricted by Florida Statutes. All policy decisions, including the annual budget and owners’ assessments, are formulated by the Board of Directors based on the Association’s governing documents. 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 Edgewater Beach Resort Management, Inc., d/b/a RCAM Florida. 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 – Significant Accounting Policies

A summary of the Association’s significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or Florida Statutes. The financial statements segregate the accounting for such funds as either Operating or Replacement funds. At the end of the year, excess funds are generally retained by the fund generating such excess during the year.

Operating Fund

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

Replacement Fund

The replacement fund is generally used to account for assessments made for major repair and replacement of common property and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the replacement fund is allocated to the pooled reserves.

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 2 – Significant Accounting Policies – continued

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

Accounts Receivable from Owners and Allowance for Credit Losses

The Association estimates expected credit losses over the contractual term of the financial asset, considering historical experience, current conditions, and reasonable and supportable forecasts, which requires increased judgment and the use of significant estimates, including assumptions about future economic conditions and customer behavior, which may affect the allowance for credit losses recorded in the financial statements. The allowance for credit losses was \$827 at December 31, 2024.

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.

Capitalization and Depreciation

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that has not been capitalized is identified in Note 1. 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.

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the balance sheet as of December 31, 2024. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the balance sheet as prepaid assessments and performance obligation liabilities.

Revenue Recognition

The Association recognizes revenue when the performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

Right-of-use Assets and Lease Liabilities

The Association recognizes a right-of-use asset (ROU) and a lease liability based on the present value of the remaining lease payments. The Association determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Association recognizes a lease liability and a right-of-use asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments.

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

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 2 – Significant Accounting Policies – continued

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

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

The Association monitors changes in circumstances that would require a remeasurement of its leases and will remeasure right-of-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability.

Note 3 – Owners’ Assessments

Revenue and expenses are allocated to the unit owners based on the ratio of each unit’s square footage to the total square footage of all units and accordingly, assessment fees are established using this formula. The monthly rates for 2024 ranged from \$840 to \$1,677 for residential units and \$144 to \$1,944 for commercial and tiki units. Assessments for the year ended December 31, 2024 totaled \$3,286,471, of which \$754,200 was allocated to the replacement fund.

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the statement of revenue, expenses and changes in fund balance for the year ended December 31, 2024:

	Operating Fund	Replacement Fund	Total
Budgeted assessments	\$ 2,532,271	\$ 754,200	\$ 3,286,471
Less additions to performance obligation	0	(286,304)	(286,304)
Total assessments	<u>\$ 2,532,271</u>	<u>\$ 467,896</u>	<u>\$ 3,000,167</u>

The Association levied a special assessment totaling \$1,902,394 in February 2024 to repay the non-residential loan (Note 9). The special assessment was due in two lump sums on October 1, 2024 and October 1, 2025, and individual owner assessments ranged from \$4,736 to \$11,886 for the residential units. Unbilled assessments relating to the October 2025 payment as of December 31, 2024 is \$951,197. \$During the year ended December 31, 2024, the Association recognized special assessment income of \$920,847. The remaining balance of \$981,546 has been reported as performance obligation liability and will be recognized as revenue when the remaining special assessment funds are applied to the loan.

Note 4 – Revenue Recognition

As disclosed in Note 2 to the financial statements, the Association’s customers consist of its members, which are unit owners within the development. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the unit owners.

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 4 – Revenue Recognition – continued

Performance Obligations

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments and special assessments, which are being recognized at a point in time. As of December 31, 2024, the Association has reported a performance obligation liability totaling \$2,403,319, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the replacement fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

Significant Judgments

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, excluding special assessments, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts and special assessments, the Association recognizes revenue at the point in time when reserves or special assessment expenses are incurred.

Disaggregated Revenue

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors for the year ended December 31, 2024:

Recognized over time	
Operating assessments	\$ 2,532,271
Beach income	85,000
Rental income	189,623
Recognized at a point in time	
Reserve assessments	467,896
Special assessments	920,848
Not subject to ASC Topic 606	
Security reimbursement	426,637
Vending income	8,740
Miscellaneous income	4,015
Other owner income	9,310
Interest income	120,745
Total revenue	<u>\$ 4,765,085</u>

The following table presents information about accounts receivable, contract assets, and contract liabilities for the year ended December 31, 2024:

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 4 – Revenue Recognition – continued

Assessments receivable, net – beginning balance	\$	7,549
Assessments receivable, net – ending balance	\$	52,945
Contract assets –beginning balance	\$	0
Contract assets –ending balance	\$	951,197
<u>Contract liabilities</u>		
Prepaid assessments – beginning balance	\$	266,381
Prepaid assessments – ending balance	\$	413,653
Performance obligation liabilities – beginning balance	\$	2,403,319
Performance obligation liabilities – ending balance	\$	3,671,169

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.

The Board of Directors annually reviews the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the Replacement Fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2024, based on a 2023 professional replacement fund study.

The Association is funding for future major repairs and replacements over the estimated remaining useful lives of the components based on their study’s estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$754,200 based on the Board’s full funded plan, has been included in the 2024 budget.

The Association has adopted the pooling method to accumulate funds for estimated future major repairs and replacements through regular assessments. The funding program takes into consideration the estimates of replacement costs, estimated remaining useful lives, amounts already accumulated in the Replacement Fund, and future cash flows of the Replacement Fund. The pooling method allows the accumulated funds to be used for any of the pooled components.

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

Note 6 – Income Taxes

The Association elected to file its tax return for the year ended December 31, 2024 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 nonmembership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made.

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 6 – Income Taxes – continued

For the year ended December 31, 2024, the Association had a net nonmembership loss of \$27,484, which can be carried forward to offset up to 80% of future taxable income annually, if needed. In addition, the Association has a net nonmembership loss carryforward from years prior to 2024 totaling \$293,268. No federal or state taxes are due for 2024.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in operating expense. For the year ended December 31, 2024, no interest or penalties were paid or accrued. Income tax returns filed by the Association are subject to examination by the Internal Revenue Service for a period of three years.

Note 7 – Leases – lessors

Leases as lessor

The Association has 5 operating leases regarding its commercial units, which generate rental income from tenants and operating cash flows for the Association. Tenant leases generally have lease terms of 3 years or less, with one or more renewal options available upon expiration of the initial lease term. Contractual rent increases for the renewal options are often fixed at the time of the initial lease agreement which may result in tenants being able to exercise their renewal options at amounts that are less than the fair value of the rent at the date of renewal.

The components of rental revenue for the year ended December 31, 2024 were as follows:

Rental revenue:	
Fixed lease revenue	\$ 179,700
Non lease rental revenue	<u>76,095</u>
Total rental revenue	<u>\$ 255,795</u>

Property and equipment under operating leases as lessor

As of December 31, 2024, substantially all of the Association's real estate assets are subject to operating leases.

Maturity analysis of lease payments as lessor

The Association's operating leases are disclosed in the aggregate due to their consistent nature as real estate leases. As of December 31, 2024, the undiscounted cash flows to be received from lease payments of the operating leases on an annual basis for the next five years and thereafter are as follows:

Year ending December 31,	
2025	\$ 179,700
2026	179,700
2027	144,600
2028	144,600
2029	<u>139,200</u>
Total undiscounted cash flows	<u>\$ 787,800</u>

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 8 – Leases – Lessees

The Association leases security camera equipment from ProComm Solutions, LLC. The lease is billed based on the number of security cameras in use and expires in August of 2026, with an automatic renewal of 5 years unless either party is notified in writing at least ninety days prior to the ending date of the initial term. At December 31, 2024, 74 cameras were in use.

The following summarized the line items in the balance sheet which include amounts for operating leases as of December 31, 2024:

Operating lease right-of-use assets, net	<u>\$ 219,259</u>
Current maturities of operating lease liabilities	\$ 27,089
Operating lease liabilities, net of current maturities	<u>192,170</u>
Total operating lease liabilities	<u>\$ 219,259</u>

The following summarized the weighted average remaining lease term and discount rate as of December 31, 2024:

Weighted Average Remaining Lease Term	
Operating leases	6.59
Weighted Average Discount Rate	
Operating leases	1.82%

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

Year ending December 31,	
2025	\$ 31,080
2026	33,152
2027	37,296
2028	37,296
2029	37,296
Thereafter	<u>59,052</u>
Total minimum lease payments	<u>\$ 235,172</u>

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 is being amortized over the life of the loan.

Long-term debt at December 31, 2024, consisted of the following:

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2024

Note 9 – Note Payable – continued

Note payable to financial institution	\$ 1,049,403
Less: Unamortized debt issuance costs	<u>(7,467)</u>
Total long-term debt, less current portion	<u>\$ 1,041,936</u>

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

Maturities of the principal balances, excluding debt issue costs, are as follows:

2025	<u>\$ 1,049,403</u>
------	---------------------

Note 10 – 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, 2024, the Association received \$3,289,799 in insurance proceeds and incurred \$2,712,559 in related expenses. Of these amounts, none of proceeds and \$30,454 of expenses were recorded in 2024. The Association does not expect to receive additional insurance proceeds after year end. The Association expects to incur additional expenses after year end, however, as of the date of the audit report the amount cannot be determined. During the year ended December 31, 2024, the Association moved the insurance equity of \$600,000 to the replacement fund.

Note 11 – 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 condominium 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 that have priority. Market value may be influenced by the real estate market in Panama City Beach, Florida.

Note 12 – Contingencies

Insurance Deductibles

The insurance policies for windstorm coverage renewed in May 2024. The deductible amount for named hurricane storms is \$3,782,580 which represents 5% of the insured value of the residential buildings.

Note 13 – Interfund Balance

As of December 31, 2024, the operating fund owed \$300,000 to the replacement fund due to not transferring all of the remaining insurance proceeds from Note 10. The Board of Directors intends to repay the entire amount during 2024.

Note 14 - Subsequent Event

In preparing the financial statements, the Association's management has evaluated subsequent events and transactions for potential recognition or disclosure through July 22, 2025, which is the date the financial statements were available to be issued.

Supplementary Information

Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements

Grand Panama Beach Resort Condominium Association, Inc.

For the year ended December 31, 2024

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interfund Transfer</u>	<u>Subtractions</u>	<u>Ending Balance</u>
Pooled components	\$ 2,429,078	\$ 854,045	\$ 600,000	\$ 567,741	\$ 3,315,382
	<u>\$ 2,429,078</u>	<u>\$ 854,045</u>	<u>\$ 600,000</u>	<u>\$ 567,741</u>	<u>\$ 3,315,382</u>
Replacement fund cash reconciliation					
Performance obligation	\$ 2,689,623				
Replacement fund balance	625,759				
Due from operating fund	(300,000)				
Total replacement fund cash	<u>\$ 3,015,382</u>				

Schedule of Operating Fund Revenues and Expenses - Budget and Actual

Grand Panama Beach Resort Condominium Association, Inc.

For the year ended December 31, 2024

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenues</u>			
Assessment fees	\$ 2,532,271	\$ 2,532,274	\$ (3)
Special assessment	920,848	-	920,848
Security reimbursement	426,637	450,000	(23,363)
Beach service	85,000	85,000	-
Rental income, net of assessment expense	189,623	189,713	(90)
Vending income	8,740	-	8,740
Other owner income	9,310	-	9,310
Miscellaneous income	4,015	-	4,015
Interest income	20,900	-	20,900
Total revenues	<u>4,197,344</u>	<u>3,256,987</u>	<u>940,357</u>
<u>Expenses</u>			
General and administrative expenses	20,708	27,132	6,424
Licenses and inspections	40,774	19,776	(20,998)
Legal and professional expenses	68,671	53,000	(15,671)
Miscellaneous expenses	105,751	271,812	166,061
Depreciation	58,974	-	(58,974)
Insurance expenses	789,139	907,542	118,403
Utilities	603,508	661,453	57,945
Personnel expense	481,379	507,356	25,977
Contract services	516,413	496,166	(20,247)
Maintenance expenses	294,043	312,750	18,707
Other expenses	30,455	-	(30,455)
Total expenses	<u>3,009,815</u>	<u>3,256,987</u>	<u>247,172</u>
Excess (deficit) of revenues over expenses	<u>\$ 1,187,529</u>	<u>\$ -</u>	<u>\$ 1,187,529</u>

Supplementary Information on Future Major Repairs and Replacements

Grand Panama Beach Resort Condominium Association, Inc.

The following table is based on a professional study obtained in 2023 and presents significant information about the major components.

Components	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost
SIRS components		
Balconies, Concrete, Repairs and Waterproof Coating Applications	10	\$ 579,800
Balconies and Breezeways, Railings, Aluminum, Capital Repairs	10	206,250
Balconies and Breezeways, Railings, Aluminum, Replacement	20	1,023,000
Breezeways, Concrete, Repairs and Waterproof Coating Applications	2	930,050
Doors, Metal, Common, Phased	4 - 8	516,000
Roofs, Metal	12	1,241,000
Roofs, Thermoplastic	18	102,000
Skywalk, Metal Components, Paint Finishes	2	15,000
Structural Members, Inspection, Milestone	9	25,000
Walls, Stucco, Paint Finishes and Capital Repairs	10	1,208,160
Waterproof Membrane, Inspection and Capital Repairs, Plaza Deck	4	109,600
Waterproof Membrane, Replacement and Concrete Structure Repairs, Plaza Deck	17	1,164,500
Windows and Doors, Aluminum Frames, Common	27	368,000
Generators, Emergency, 400-kW	12	420,000
Life Safety System, Control Panels	5	40,000
Life Safety System, Emergency Devices	5	166,500
Pump, Fire Suppression, 125-HP	27	127,000
Concrete, Elevated Floors, Inspections and Capital Repairs	6	233,750
Concrete, On-grade, Partial	6 - 30+	241,200
Fire Suppression System, Phased	7 - 27	227,200
Non-SIRS components		
Exterior Building Elements	14	59,540
Interior Building Elements	2 - 29	434,400
Building Services Elements	1 - 27	2,091,000
Property Site Elements	4 - 30+	354,365
Tower 1 Pool Elements	2 - 14	518,300
Tower 2 Pool Elements	2 - 6	50,463
Garage Elements	6 - 30+	358,550
Total		\$ 12,810,628
Replacement fund cash balance at December 31, 2024		\$ 3,015,382