

**Grand Panama Beach
Resort Condominium
Association, Inc.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**


December 31, 2018



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INGRAM

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Grand Panama Beach Resort Condominium Association, Inc.
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December 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Panama Beach Resort Condominium Association, Inc., which comprise the Balance Sheet as of December 31, 2018, 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.

Auditors' 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, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the Schedule of Changes in Replacement Fund Balance and Schedule of Operating Fund Revenues and Expenses – Budget and Actual, 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 Supplementary Information on Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Fort Walton Beach, Florida
September 18, 2019

Grand Panama Beach Resort Condominium Association, Inc.
Balance Sheet

December 31,

2018

	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 302,884	\$ 1,049,750	\$ 1,352,634
Accounts receivable, net	46,167	-	46,167
Prepaid expenses	116,809	-	116,809
Property and equipment, net	383	-	383
Interfund balances	111	(111)	-
Total assets	\$ 466,354	\$ 1,049,639	\$ 1,515,993
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 32,651	\$ -	\$ 32,651
Accrued liabilities	173	-	173
Note payable insurance	66,827	-	66,827
Prepaid assessments	48,732	-	48,732
Total liabilities	148,383	-	148,383
Fund balances	317,971	1,049,639	1,367,610
Total liabilities and fund balances	\$ 466,354	\$ 1,049,639	\$ 1,515,993

The accompanying notes are an integral part of these financial statements.

Grand Panama Beach Resort Condominium Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balances

<i>Year ended December 31,</i>	2018		
	Operating Fund	Replacement Fund	Total
Revenues			
Assessment fees	\$ 1,602,891	\$ 226,443	\$ 1,829,334
Beach service	35,000	-	35,000
Insurance proceeds	5,005	-	5,005
Interest and late fees	29,095	3,536	32,631
Miscellaneous income	5,996	-	5,996
Registration fees	191,741	-	191,741
Total revenues	1,869,728	229,979	2,099,707
Expenses			
Administrative	186,842	-	186,842
Bad debts	111,240	-	111,240
Depreciation	766	-	766
Insurance	229,950	-	229,950
Maintenance and repairs	286,943	94,753	381,696
Personnel	476,332	-	476,332
Utilities	508,887	-	508,887
Total expenses	1,800,960	94,753	1,895,713
Excess revenues over expenses	68,768	135,226	203,994
Beginning fund balances	249,203	914,413	1,163,616
Ending fund balances	\$ 317,971	\$ 1,049,639	\$ 1,367,610

The accompanying notes are an integral part of these financial statements.

Grand Panama Beach Resort Condominium Association, Inc.
Statement of Cash Flows

<i>Year ended December 31,</i>	2018		
	Operating Fund	Replacement Fund	Total
Operating activities			
Assessment fees collected	\$ 1,573,432	\$ 226,443	\$ 1,799,875
Beach service received	35,000	-	35,000
Insurance proceeds received	5,005	-	5,005
Interest and late fees received	29,095	3,536	32,631
Miscellaneous income received	5,996	-	5,996
Registration fees received	191,741	-	191,741
Interfund balances	5,044	(5,044)	-
Cash paid for expenses	(1,628,187)	(134,603)	(1,762,790)
Net cash provided by operating activities	217,126	90,332	307,458
Investing activities			
Redemption of certificates of deposit	-	243,982	243,982
Net cash used by investing activities	-	243,982	243,982
Net increase in cash	217,126	334,314	551,440
Cash at beginning of year	85,758	715,436	801,194
Cash at end of year	\$ 302,884	\$ 1,049,750	\$ 1,352,634

(Continued on next page)

The accompanying notes are an integral part of these financial statements.

Grand Panama Beach Resort Condominium Association, Inc.
Statement of Cash Flows (Continued)

Year ended December 31,

2018

	Operating Fund	Replacement Fund	Total
Reconciliation of excess revenues over expenses to net cash provided by operating activities:			
Excess revenues over expenses	\$ 68,768	\$ 135,226	\$ 203,994
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Bad debts	113,156	-	113,156
Depreciation	766	-	766
Changes in operating assets and liabilities:			
Accounts receivable, net	(43,338)	-	(43,338)
Prepaid expenses	38,199	-	38,199
Interfund balances	5,044	(5,044)	-
Accounts payable	24,403	(39,850)	(15,447)
Accrued liabilities	(3,915)	-	(3,915)
Note payable insurance	164	-	164
Prepaid assessments	13,879	-	13,879
Net cash provided by operating activities	\$ 217,126	\$ 90,332	\$ 307,458

The accompanying notes are an integral part of these financial statements.

Grand Panama Beach Resort Condominium Association, Inc. Notes to Financial Statements

NOTE 1: ORGANIZATION

Grand Panama Beach Resort Condominium Association, Inc. ("Association"), a Florida not-for-profit corporation, was formed 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 unit owners in common, including swimming pool, roofs, building exteriors, parking garages and areas, elevators, recreation areas, etc. Disposition of common area property requires consent of the members.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

Management and accounting services for the year were provided to the Association by Emerald View Association Management, LLC. Effective January 1, 2019, these services are provided 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

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 include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting.

Funds

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 Statute. The financial statements segregate the accounting for such funds as Operating or Replacement. At the end of the year, excess funds are generally retained by the fund generating such excess during the year.

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 and the Association's management.

Grand Panama Beach Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 becomes part of the components. The owners voted in December 2018 to utilize the pooling method of funding the Replacement Fund for future years.

Revenue Recognition

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance for the subsequent period are reported as Prepaid assessments on the Balance Sheet. Registration fees and Miscellaneous income are recognized as revenue during the period earned and are reported on the Statement of Revenues, Expenses and Changes in Fund Balances.

Accounts Receivable from Owners and Allowance for Doubtful Accounts

Accounts receivable are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The outstanding balance primarily consists of assessments but may also include other owner billed charges such as late fees, interest, and work orders. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At December 31, 2018, the allowance for doubtful accounts totaled \$136,967.

Capitalization and Depreciation

Real property acquired by the Association is capitalized when it is used to generate significant cash flows from members or nonmembers on the basis of usage, or 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 consists of swimming pool, roofs, building exteriors, parking garages and areas, elevators, recreation areas, etc.

Personal property acquired by the Association is capitalized at cost. It is depreciated over its estimated useful life using the straight-line method of depreciation.

Grand Panama Beach Resort Condominium Association, Inc.
Notes to Financial Statements

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.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through July XX, 2019, which is the date the financial statements were available to be issued.

NOTE 3: OWNERS' ASSESSMENTS

Revenue 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 2018 ranged from \$372 to \$933 per month for the residential units. The six commercial units ranged from \$80 to \$1,082 per month for 2018. Regular assessments for the year ended December 31, 2018 totaled \$1,829,334 of which \$226,443 was allocated to the Replacement Fund.

NOTE 4: 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.



Grand Panama Beach Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Board of Directors and management annually review the major components of common property utilizing a study conducted in 2012 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 Replacement 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. In December 2018 the Board of Directors contracted with an independent firm to perform an updated reserve study and will utilize this report for 2019.

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 Replacement Fund. Accordingly, the funding requirement of \$226,443, based on the Board's fully funded plan, has been included in the 2018 budget.

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 5: INCOME TAXES

The Association filed its tax return for 2018 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, 2018, the Association had a net non-membership income of \$16,330 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, 2018 totaled \$9,161 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.

Grand Panama Beach Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 6: CONTINGENCY

The insurance policy for windstorm coverage renewed May 1, 2019. The deductible amount for named hurricane storms is estimated at \$1,231,000, which represents 2% of the insured value of the residential buildings.

NOTE 7: 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 Bay County, Florida.

The Association places its cash with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit.

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<i>December 31,</i>	2018
Equipment	\$ 67,098
Less accumulated depreciation	(66,715)
Property and equipment, net	\$ 383
Depreciation expense	\$ 766

NOTE 9: INSURANCE NOTE PAYABLE

The Association obtained a short-term, unsecured note payable to finance its annual insurance premiums. The note is payable in monthly installments of \$16,865, including interest at 4.25%, and matured in March 2019. The note payable balance as of December 31, 2018 totaled \$66,827.



**Grand Panama Beach Resort Condominium Association, Inc.
Notes to Financial Statements**

NOTE 10: RELATED PARTY TRANSACTIONS

Emerald View Association Management owns six commercial units within the condominium. EVAM pays the Association for their proportionate share of common expenses for the units they own. For the year ended December 31, 2018, EVAM was billed a total of \$36,833 for assessment fees.

The Association has contracted with Emerald View Association Management, LLC (EVAM) for management services. The contract expired December 31, 2018. Management fee expense for the year ended December 31, 2018 totaled \$123,986.



Supplementary Information

Grand Panama Beach Resort Condominium Association, Inc.
Schedule of Changes in Replacement Fund Balances

Year end A1:F25ed December 31,

2018

Component	Beginning Balance	Revenue	Expenses	Ending Balance
Building	\$ 8,867	\$ 2,984	\$ -	\$ 11,851
Common area	8,705	15,134	(18,360)	5,479
Concrete sealants	38,130	28,718	-	66,848
Elevators	145,111	20,561	-	165,672
Exterior paint sealants	18,826	69,132	-	87,958
Fire sprinkler system	90,112	16,482	-	106,594
Generator	55,508	9,715	-	65,223
Guard shack	34,842	3,335	-	38,177
Parking garage paint	9,219	2,364	-	11,583
Pavement	174,316	16,674	(76,393)	114,597
Pool filter & heater	19,030	4,109	-	23,139
Pool furniture	8,479	4,245	-	12,724
Pool	14,595	7,337	-	21,932
Roof	208,400	20,379	-	228,779
Storm water facility	16,376	2,063	-	18,439
Trash compactor	12,094	1,347	-	13,441
Water pressure pump	51,803	5,400	-	57,203
Total	\$ 914,413	\$ 229,979	\$ (94,753)	\$ 1,049,639

Grand Panama Beach Resort Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses – Budget and Actual

<i>Year ended December 31,</i>	2018		
	Actual	Budget (Unaudited)	Variance - Favorable (Unfavorable) (Unaudited)
Revenues			
Assessment fees	\$ 1,602,891	\$ 1,602,891	\$ -
Beach service	35,000	35,000	-
Insurance proceeds	5,005	-	5,005
Interest and late fees	29,095	3,500	25,595
Miscellaneous income	5,996	-	5,996
Registration fees	191,741	150,000	41,741
Total revenues	1,869,728	1,791,391	78,337
Expenses			
Administrative	186,842	155,051	(31,791)
Bad debts	111,240	10,000	(101,240)
Depreciation	766	2,380	1,614
Insurance	229,950	259,541	29,591
Maintenance and repairs	286,943	285,086	(1,857)
Personnel	476,332	516,450	40,118
Utilities	508,887	562,883	53,996
Total expenses	1,800,960	1,791,391	(9,569)
Excess revenues over expenses	\$ 68,768	\$ -	\$ 68,768

**Grand Panama Beach Resort Condominium Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)**

The following table is based on the 2012 independent study and the Board of Directors and management's review, and presents significant information about the components of common property:

Component	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Replacement Fund Balance 12/31/18
Building	12	\$ 59,000	\$ 11,851
Common area	0	75,500	5,479
Concrete sealants	0	200,000	66,848
Elevators	12	400,000	165,672
Exterior paint sealants	7	477,028	87,958
Fire sprinkler system	17	403,358	106,594
Generator	22	285,000	65,223
Guard shack	2	32,000	38,177
Parking garage paint	7	34,924	11,583
Pavement	2	160,000	114,597
Pool filter & heater	52	24,208	23,139
Pool furniture	0	36,697	12,724
Pool	0	58,243	21,932
Roof	22	587,200	228,779
Storm water facility	12	40,000	18,439
Trash compactor	2	13,000	13,441
Water pressure pump	2	52,000	57,203
Total		\$ 2,938,158	\$ 1,049,639