

# CARTER & COMPANY

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Certified Public Accountants, LLC

*Draft  
For Discussion Purposes  
Only*

Grand Panama Beach Resort Condominium Association, Inc.

Financial Statements  
with Supplementary Information and  
Independent Auditor's Report

December 31, 2025

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Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2025

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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, 2025 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, 2025, 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.

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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  
\_\_\_\_\_, 2026

Balance Sheet

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2025

	<u>Assets</u>		
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash	\$ 66,220	\$ 3,373,635	\$ 3,439,855
Assessments receivable, net	121,152	-	121,152
Prepaid expenses	505,160	-	505,160
Utility deposit	9,980	-	9,980
Property and equipment, net	2,005,128	-	2,005,128
Operating lease right of use assets, net	175,177	-	175,177
	<u>2,882,817</u>	<u>3,373,635</u>	<u>6,256,452</u>
Total assets	<u>\$ 2,882,817</u>	<u>\$ 3,373,635</u>	<u>\$ 6,256,452</u>

<u>Liabilities and Fund Balance</u>			
Accounts payable	\$ 300,040	\$ -	\$ 300,040
Prepaid assessments	43,331	-	43,331
Operating lease liabilities	175,177	-	175,177
Performance obligations	-	3,183,350	3,183,350
Interfund balance	531,996	(531,996)	-
Total liabilities	<u>1,050,544</u>	<u>2,651,354</u>	<u>3,701,898</u>
Fund balance	<u>1,832,273</u>	<u>722,281</u>	<u>2,554,554</u>
Total liabilities and fund balance	<u>\$ 2,882,817</u>	<u>\$ 3,373,635</u>	<u>\$ 6,256,452</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, 2025

	Operating Fund	Replacement Fund	Total
<u>Revenues</u>			
Assessment fees	\$ 2,505,871	\$ 286,873	\$ 2,792,744
Special assessment	982,844	-	982,844
Security reimbursement	498,531	-	498,531
Beach service	90,000	-	90,000
Rental income	249,680	-	249,680
Other owner income	15,896	-	15,896
Miscellaneous income	7,987	-	7,987
Interest income	2,755	96,522	99,277
Total revenues	<u>4,353,564</u>	<u>383,395</u>	<u>4,736,959</u>
<u>Expenses</u>			
General and administrative expenses	244,898	-	244,898
Depreciation	58,974	-	58,974
Insurance expenses	862,563	-	862,563
Utilities	463,007	-	463,007
Personnel expense	206,919	-	206,919
Contract services	1,121,453	-	1,121,453
Maintenance expenses	510,768	286,873	797,641
Total expenses	<u>3,468,582</u>	<u>286,873</u>	<u>3,755,455</u>
Excess (deficit) of revenues over expenses	884,982	96,522	981,504
Capital contributions	150	-	150
Beginning fund balances	<u>947,141</u>	<u>625,759</u>	<u>1,572,900</u>
Ending fund balances	<u>\$ 1,832,273</u>	<u>\$ 722,281</u>	<u>\$ 2,554,554</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, 2025

	Operating Fund	Replacement Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash Flows From Operating Activities:			
Assessment fees	\$ 2,681,867	\$ 548,604	\$ 3,230,471
Special assessment	952,495	-	952,495
Security reimbursement	498,531	-	498,531
Beach service	90,000	-	90,000
Other income	273,563	-	273,563
Interest income	2,755	96,522	99,277
Cash paid for expenses	<u>(3,408,432)</u>	<u>(286,873)</u>	<u>(3,695,305)</u>
Net cash provided by (used in) operating activities	1,090,779	358,253	1,449,032
Cash Flows From Financing Activities:			
Capital contributions received	150	-	150
Payments on note payable	<u>(1,041,936)</u>	<u>-</u>	<u>(1,041,936)</u>
Net cash provided by (used in) financing activities	(1,041,786)	-	(1,041,786)
Net increase (decrease) in cash	48,993	358,253	407,246
Cash, cash equivalents, and restricted cash beginning of year	<u>17,227</u>	<u>3,015,382</u>	<u>3,032,609</u>
Cash, cash equivalents, and restricted cash end of year	<u><u>\$ 66,220</u></u>	<u><u>\$ 3,373,635</u></u>	<u><u>\$ 3,439,855</u></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, 2025

	<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	\$ 884,982	\$ 96,522	\$ 981,504
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	(68,207)	-	(68,207)
Prepaid expenses	(91,507)	-	(91,507)
Unbilled special assessments	951,197	-	951,197
Increase (decrease) in:			
Accounts payable	278,709	-	278,709
Prepaid assessments	11,128	-	11,128
Insurance note payable	(184,947)	-	(184,947)
Deferred revenue	(981,546)	-	(981,546)
Performance obligations	-	493,727	493,727
Interfund balance	231,996	(231,996)	-
	<u>205,797</u>	<u>261,731</u>	<u>467,528</u>
Net cash provided by (used in) operating activities	<u>\$ 1,090,779</u>	<u>\$ 358,253</u>	<u>\$ 1,449,032</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, 2025

### **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 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, 2025, 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 First Service Residential. 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, 2025

## **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 \$13,921 at December 31, 2025.

### 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, 2025. 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, 2025

### 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 quarterly rates for 2025 ranged from \$2,005 to \$4,928 for residential units and \$433 to \$5,832 for commercial and tiki units. Assessments for the year ended December 31, 2025 totaled \$3,286,471, of which \$780,600 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, 2025:

	Operating Fund	Replacement Fund	Total
Budgeted assessments	\$ 2,505,871	\$ 780,600	\$ 3,286,471
Less additions to performance obligation	0	(493,727)	(493,727)
Total assessments	<u>\$ 2,505,871</u>	<u>\$ 286,873</u>	<u>\$ 2,792,744</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. During the year ended December 31, 2025, the Association recognized special assessment income of \$982,844 and the remaining loan balance was paid in full.

### 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, 2025

**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, 2025, the Association has reported a performance obligation liability totaling \$3,183,350, 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, 2025:

<b>Recognized over time</b>	
Operating assessments	\$ 2,505,871
Beach income	90,000
Rental income	249,680
<b>Recognized at a point in time</b>	
Reserve assessments	286,873
Special assessments	982,844
<b>Not subject to ASC Topic 606</b>	
Security reimbursement	498,531
Miscellaneous income	7,987
Other owner income	15,896
Interest income	99,277
	<hr/>
Total revenue	\$ 4,736,959

The following table presents information about accounts receivable, contract assets, and contract liabilities for the year ended December 31, 2025:

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2025

**Note 4 – Revenue Recognition – continued**

Assessments receivable, net – beginning balance	\$	52,945
Assessments receivable, net – ending balance	\$	121,152
Contract assets –beginning balance	\$	951,197
Contract assets –ending balance	\$	0
<u>Contract liabilities</u>		
Prepaid assessments – beginning balance	\$	32,203
Prepaid assessments – ending balance	\$	43,331
Performance obligation liabilities – beginning balance	\$	2,689,623
Performance obligation liabilities – ending balance	\$	3,183,350

**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 as identified in the Association’s reserve study, including the Structural Integrity Reserve Study (“SIRS”), and the annual budget adopted by the Board of Directors. These estimates are subject to change due to factors such as inflation, changes in material and labor costs, changes in statutory requirements, and variations in the condition or useful lives of the components. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2025.

Pursuant to Florida law, the Association is required to conduct a Structural Integrity Reserve Study for certain structural components of the condominium property. Structural integrity reserves are required to be fully funded and, under Florida Statutes, may not be waived or reduced by a vote of the membership. Funds held in structural integrity reserves may only be used for the repair or replacement of the specific components identified in the SIRS. The Structural Integrity Reserve Study was completed during 2023 and has been incorporated into the Association’s reserve funding plan.

At the Association’s annual meeting, the membership may vote to waive or reduce the funding of non-structural statutory reserves in accordance with Florida Statutes. Any decision to waive or partially fund such reserves, or increases in funding required under the SIRS, may result in the need for future special assessments, increased regular assessments, or borrowing to fund major repairs and replacements. The Association fully funded the reserves in the amount of \$780,600 for the year ended December 31, 2025.

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.

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2025

### Note 6 – Income Taxes

The Association elected to file its tax return for the year ended December 31, 2025 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. For the year ended December 31, 2025, the Association had a net nonmembership loss of \$ \_\_\_\_\_, 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 2025 totaling \$ \_\_\_\_\_. No federal or state taxes are due for 2025.

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, 2025, 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, 2025, 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, 2025 were as follows:

Rental revenue:	
Fixed lease revenue	\$ 222,400
Non lease rental revenue	<u>27,280</u>
Total rental revenue	<u>\$ 294,680</u>

#### Property and equipment under operating leases as lessor

As of December 31, 2025, 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, 2025, 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:

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2025

**Note 7 – Leases – lessors – continued**

Year ending December 31,	
2026	\$ 310,700
2027	310,700
2028	310,700
2029	116,700
2030	44,100
Total undiscounted cash flows	<u>\$ 1,092,900</u>

**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, 2025, 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, 2025:

Operating lease right-of-use assets, net	<u>\$ 175,177</u>
Current maturities of operating lease liabilities	\$ 27,896
Operating lease liabilities, net of current maturities	<u>147,281</u>
Total operating lease liabilities	<u>\$ 175,177</u>

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,	
2026	\$ 31,084
2027	31,084
2028	31,084
2029	31,084
2030	31,084
Thereafter	31,084
Total minimum lease payments	<u>\$ 186,504</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 in the amount of \$2,300,000. The Association was required to make monthly payments in the amount of \$14,318 until the maturity on December 28, 2025, when the final principal payment together with accrued interest was to be paid in full. The Association incurred debt issuance costs of \$36,784 which was being amortized over the life of the loan. The loan was repaid in full in October 2025 from the levied special assessment (Note 3).

Notes to Financial Statements - continued

Grand Panama Beach Resort Condominium Association, Inc.

December 31, 2025

**Note 10 – 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 11 – Contingencies**

Insurance Deductibles

The insurance policies for windstorm coverage renewed in December 2025. The deductible amount for named hurricane storms is \$2,284,892 which represents 3% of the insured value of the residential buildings.

**Note 12 – Interfund Balance**

As of December 31, 2025, the operating fund owed \$531,996 to the replacement fund. The Board of Directors intends to repay the entire amount during 2026.

**Note 13 - Subsequent Event**

In preparing the financial statements, the Association's management has evaluated subsequent events and transactions for potential recognition or disclosure through \_\_\_\_\_, 2026, 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, 2025

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>
Pooled components	\$ 3,315,382	\$ 877,122	\$ 286,873	\$ 3,905,631
	<u>\$ 3,315,382</u>	<u>\$ 877,122</u>	<u>\$ 286,873</u>	<u>\$ 3,905,631</u>
Replacement fund cash reconciliation				
Performance obligation	\$ 3,183,350			
Replacement fund balance	722,281			
Due to (from) operating	<u>(531,996)</u>			
Total replacement fund cash	<u>\$ 3,373,635</u>			

Schedule of Operating Fund Revenues and Expenses - Budget and Actual

Grand Panama Beach Resort Condominium Association, Inc.

For the year ended December 31, 2025

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenues</u>			
Assessment fees	\$ 2,505,871	\$ 2,505,874	\$ (3)
Special assessment	982,844	-	982,844
Security reimbursement	498,531	425,000	73,531
Beach service	90,000	90,000	-
Rental income	249,680	249,420	260
Other owner income	15,896	-	15,896
Miscellaneous income	7,987	-	7,987
Interest income	2,755	-	2,755
Total revenues	<u>4,353,564</u>	<u>3,270,294</u>	<u>1,083,270</u>
<u>Expenses</u>			
General and administrative expenses	244,898	286,125	41,227
Depreciation	58,974	-	(58,974)
Insurance expenses	862,563	869,831	7,268
Utilities	463,007	459,014	(3,993)
Personnel expense	206,919	134,035	(72,884)
Contract services	1,121,453	1,124,432	2,979
Maintenance expenses	510,768	393,405	(117,363)
Total expenses	<u>3,468,582</u>	<u>3,266,842</u>	<u>(201,740)</u>
Excess (deficit) of revenues over expenses	<u>\$ 884,982</u>	<u>\$ 3,452</u>	<u>\$ 888,434</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 components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost
SIRS components		
Balconies, Concrete, Repairs and Waterproof Coating Applications	9	\$ 579,800
Balconies and Breezeways, Railings, Aluminum, Capital Repairs	9	206,250
Balconies and Breezeways, Railings, Aluminum, Replacement	19	1,023,000
Breezeways, Concrete, Repairs and Waterproof Coating Applications	1	930,050
Doors, Metal, Common, Phased	3 - 7	516,000
Roofs, Metal	11	1,241,000
Roofs, Thermoplastic	17	102,000
Skywalk, Metal Components, Paint Finishes	1	15,000
Structural Members, Inspection, Milestone	8	25,000
Walls, Stucco, Paint Finishes and Capital Repairs	9	1,208,160
Waterproof Membrane, Inspection and Capital Repairs, Plaza Deck	3	109,600
Waterproof Membrane, Replacement and Concrete Structure Repairs, Plaza Deck	16	1,164,500
Windows and Doors, Aluminum Frames, Common	26	368,000
Generators, Emergency, 400-kW	11	420,000
Life Safety System, Control Panels	4	40,000
Life Safety System, Emergency Devices	4	166,500
Pump, Fire Suppression, 125-HP	26	127,000
Concrete, Elevated Floors, Inspections and Capital Repairs	5	233,750
Concrete, On-grade, Partial	5 - 30+	241,200
Fire Suppression System, Phased	6 - 26	227,200
Non-SIRS components		
Exterior Building Elements	13	59,540
Interior Building Elements	1 - 28	434,400
Building Services Elements	0 - 26	2,091,000
Property Site Elements	3 - 30+	354,365
Tower 1 Pool Elements	1 - 13	518,300
Tower 2 Pool Elements	1 - 5	50,463
Garage Elements	5 - 30+	358,550
Total		\$ 12,810,628
Replacement fund cash balance at December 31, 2025		\$ 3,373,635