

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**

**PANAMA CITY BEACH, FLORIDA**

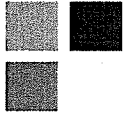
**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**PANAMA CITY BEACH, FLORIDA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

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**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

Board of Directors  
Aquavista of Panama City Beach Owners' Association, Inc.  
Panama City Beach, Florida

Management is responsible for the accompanying financial statements of Aquavista of Panama City Beach Owners' Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the 2019 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The 2018 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated June 26, 2019. We have not performed any auditing procedures since that date.

**Supplementary Information**

The accompanying supplementary information contained on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 17 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. The required supplementary information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information

*Tipton, Marler, Garner & Chastain*

Panama City, Florida

August 4, 2020

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**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**ASSETS**

	2019 (Unaudited)				2018 (Summarized and Audited)
	Operating Fund	Special Assessment Fund	Reserve Fund	Total	Total
<b>Current Assets:</b>					
Cash - operating	\$ 616,868			\$ 616,868	\$ 207,590
Cash - restricted			\$ 1,382,856	1,382,856	516,611
Accounts receivable, net	5,965	\$ 39,561		45,526	52,645
Due from operating fund		440,249		440,249	34,457
Due from reserve fund	713,714			713,714	0
Prepaid expenses	1,268			1,268	8,341
Prepaid insurance	5,306			5,306	11,147
Prepaid taxes	659			659	0
Total current assets	1,343,780	479,810	1,382,856	3,206,446	830,791
<b>Property and Equipment:</b>					
Furniture, fixtures, and equipment	4,622			4,622	4,622
Less accumulated depreciation	(4,622)			(4,622)	(4,622)
Net property and equipment	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 1,343,780</b>	<b>\$ 479,810</b>	<b>\$ 1,382,856</b>	<b>\$ 3,206,446</b>	<b>\$ 830,791</b>

**LIABILITIES AND FUND BALANCES**

<b>Current Liabilities:</b>					
Accrued expenses	\$ 25,601			\$ 25,601	\$ 15,419
Deferred special assessment		\$ 479,810		479,810	0
Due to operating fund			\$ 713,714	713,714	34,457
Due to special assessments fund	440,249			440,249	0
Income tax payable				0	1,618
Prepaid assessments	43,222			43,222	72,026
Total current liabilities	509,072	479,810	713,714	1,702,596	123,520
<b>Long-term Liabilities:</b>					
Contract liabilities (assessments received in advance - reserve fund)			669,142	669,142	0
Total liabilities	509,072	479,810	1,382,856	2,371,738	123,520
<b>Fund Balances:</b>					
Restricted			0	0	551,068
Unrestricted	834,708	0		834,708	156,203
Total fund balances	834,708	0	0	834,708	707,271
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,343,780</b>	<b>\$ 479,810</b>	<b>\$ 1,382,856</b>	<b>\$ 3,206,446</b>	<b>\$ 830,791</b>

See independent accountant's compilation report and the accompanying notes.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

	2019 (Unaudited)			2018 (Summarized and Audited)	
	Operating Fund	Special Assessment Fund	Reserve Fund	Total	Total
<b>Revenues:</b>					
Assessments - operating	\$ 407,324			\$ 407,324	\$ 413,424
Assessments - reserve			\$ 74,026	74,026	186,000
Bad debt recovery				0	5,200
Beach service	16,500			16,500	16,500
BP oil spill settlement proceeds	3,807			3,807	0
Interest	383		7,114	7,497	2,198
Insurance proceeds (net of related expenses of \$79,687)	704,342			704,342	19,807
Late fee interest	1,975			1,975	1,518
Miscellaneous income	4,727			4,727	2,597
Office rental income				0	3,745
Total revenues	1,139,058	\$ 0	81,140	1,220,198	650,989
<b>Expenses:</b>					
Accounting	10,413			10,413	3,850
Building maintenance	20,351			20,351	18,538
Cable - TV and internet	64,340			64,340	60,481
Depreciation					386
Elevator	21,209			21,209	21,287
Grounds maintenance	1,675			1,675	1,142
Income tax expense	4,171			4,171	3,838
Insurance	75,303			75,303	65,445
Interest					49
Legal fees	3,999			3,999	20,571
Licenses and fees	2,312			2,312	3,444
Maintenance mileage					280
Maintenance staff	84,043			84,043	83,484
Maintenance supplies	5,526			5,526	11,781
Management fee	39,348			39,348	28,548
Miscellaneous	3,926			3,926	277
Office supplies and postage	4,241			4,241	1,267
Pest control	6,637			6,637	6,020
Pool maintenance	13,517			13,517	11,913
Security	4,307			4,307	4,366
Telephone	6,961			6,961	5,867
Utilities	83,911			83,911	80,278
Website	555			555	460
Reserve expenses -					
Common area			5,589	5,589	4,980
Concrete			5,530	5,530	
Elevator - cable			60,341	60,341	780
Mechanical			8,912	8,912	4,315
Pool, hot tub, sauna			2,075	2,075	5,103
Roof			2,500	2,500	8,392
Other					30,993
Total expenses	456,745	0	84,947	541,692	488,135
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	682,313	0	(3,807)	678,506	162,854
<b>Fund Balances:</b>					
Beginning of year	156,202			156,202	544,417
Transfer from Operating	(3,807)		3,807	0	
End of year	\$ 834,708	\$ 0	\$ 0	\$ 834,708	\$ 707,271

See independent accountant's compilation report and the accompanying notes.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

	2019 (Unaudited)				2018 (Summarized and Audited)
	Operating Fund	Special Assessment Fund	Reserve Fund	Total	Total
<b>Cash Flows From Operating Activities:</b>					
Cash received from assessments	\$ 425,200	440,249	\$ 192,100	\$ 1,057,549	\$ 564,689
Cash received from insurance proceeds	784,029			784,029	113,421
Cash received from other revenues	27,009			27,009	29,560
Interest received	383		7,114	7,497	2,198
Income tax paid	(6,448)			(6,448)	(5,153)
Interest paid					(49)
Cash paid for supplies, services, utilities, etc.	(509,168)		(84,947)	(594,115)	(589,868)
<b>Net cash provided by operating activities</b>	<u>721,005</u>	<u>\$ 440,249</u>	<u>114,267</u>	<u>1,275,521</u>	<u>114,798</u>
<b>Cash Flows From Financing Activities:</b>					
Interfund transfers - net	(311,729)	(440,249)	751,978	0	0
<b>Net cash provided by (used in) financing activities</b>	<u>(311,729)</u>	<u>(440,249)</u>	<u>751,978</u>	<u>0</u>	<u>0</u>
<b>Net Increase in Cash and Cash Equivalents</b>	409,276	0	866,245	1,275,521	114,798
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>207,592</u>	<u>0</u>	<u>516,611</u>	<u>724,203</u>	<u>609,405</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 616,868</u>	<u>\$ 0</u>	<u>\$ 1,382,856</u>	<u>\$ 1,999,724</u>	<u>\$ 724,203</u>
<b>Reconciliation of Excess (Deficiency) of Revenues Over (Under) Expenses to Net Cash Provided By Operating Activities:</b>					
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ 682,313	\$ 0	\$ (3,807)	\$ 678,506	\$ 162,854
<b>Adjustments to Reconcile Excess (Deficiency) of Revenues Over (Under) Expenses to Net Cash Provided By Operating Activities:</b>					
Depreciation expense					386
Changes in assets and liabilities -					
Decrease in accounts receivable, net	46,680	(39,561)		7,119	(51,889)
Decrease in prepaid expenses	7,073			7,073	(5,424)
Decrease in prepaid insurance	5,841			5,841	(5,917)
Increase in prepaid taxes	(659)			(659)	0
Increase in accrued expenses	10,179			10,179	(1,051)
Increase in deferred special assessment		479,810		479,810	0
Decrease in income tax payable	(1,618)			(1,618)	(1,315)
Decrease in prepaid assessments	(28,804)			(28,804)	17,154
Increase in contract liabilities			118,074	118,074	0
<b>Total adjustments</b>	<u>38,692</u>	<u>440,249</u>	<u>118,074</u>	<u>597,015</u>	<u>(48,056)</u>
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 721,005</u>	<u>\$ 440,249</u>	<u>\$ 114,267</u>	<u>\$ 1,275,521</u>	<u>\$ 114,798</u>

See independent accountant's compilation report and the accompanying notes.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Fund Accounting:*

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Special Assessment Fund – This fund is used to accumulate financial resources designated for special projects as approved by the Association.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements of designated common elements that require replacement less frequently than annually.

*Basis of Presentation:*

The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses of the Association as determined using the accrual basis of accounting.

*Revenue Recognition:*

Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the reserve fund assessments are satisfied when these funds are expended for their designated purpose. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet. Special assessments are recognized as revenue when the corresponding liabilities and expenses are incurred, with any excess revenue reported as deferred assessments on the balance sheet, unless otherwise directed by the Board and Members.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accounts Receivable:*

Association members are subject to regular assessments to provide funds for the Association's operating expenses and future capital acquisitions. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are delinquent. The Association's management has made an assessment of the collectability of receivables and determined that an allowance for uncollectible receivables of approximately \$2,000 and \$2,000 is needed as of December 31, 2019 and 2018, respectively. Total net accounts receivable for the year ended December 31, 2019 and 2018 amounted to \$45,526 and \$52,645, respectively.

*Income Taxes:*

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a homeowners' association for the years ended December 31, 2019 and 2018. Under the election, the Association is generally taxed only on nonexempt function income (i.e. interest income, vending machine income, etc.) net of directly related expenses at a rate of 30%. For the years ended December 31, 2019 and 2018, the Association incurred income tax of \$4,171 and \$3,838, respectively.

*Property and Equipment:*

Real property and common areas acquired from the developer and related improvements to such property (i.e. roof, swimming pool, parking lots, etc.) are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. Generally only property, furnishings and equipment for which the Association holds title to is recorded as an asset of the Association. Such property and equipment are recorded at cost and are depreciated principally by the straight-line method over the estimated useful lives of individual assets. Estimated useful lives are generally five years for both furniture and equipment. Depreciation expense for the years ended December 31, 2019 and 2018 was \$0 and \$386, respectively.

*Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Statement of Cash Flows:*

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

*Prior Year Summarized Comparative Financial Information:*

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018 of the prior year, from which the summarized information was derived.

*Contract Liabilities (assessments received in advance – reserve fund):*

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – reserve fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to reserve assessments. The balances of contract liabilities (assessments received in advance – reserve fund) as of the beginning and end of the year are \$551,068 and \$669,142, respectively.

**NOTE 2 – NATURE OF ASSOCIATION**

The Aquavista of Panama City Beach Owners' Association, Inc. is a not for profit condominium association (not a non-profit 501c Organization) that incorporated in the State of Florida on May 24, 1984. The Association is responsible for the operation and maintenance of the common property and is supported by quarterly assessment fees. Membership in the Association is limited to the owners of units in the Aquavista Condominium which consists of 28 three bedroom units and 56 two bedroom units located on 3.86 acres in Panama City Beach, Florida. The governing body consists of a Board of Directors elected by the members.

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual 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 which have priority. Market value may be influenced by the real estate market in Panama City Beach, Florida.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 3 – CONCENTRATION OF CREDIT RISK (Continued)**

The Association maintains its bank accounts at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. At December 31, 2019 and 2018, the Association had \$318,166 and \$126,752, respectively, of uninsured cash balances.

**NOTE 4 – RESTRICTED CASH**

Restricted cash represents cash required to be used for specified purposes only and is, therefore, unavailable for operating purposes. Details are as follows:

<u>Reserve Fund -</u>	<u>12/31/19</u>	<u>12/31/18</u>
Reserve Fund cash - restricted to use in repairing or replacing identified common elements	\$ 1,382,556	\$ 516,611

**NOTE 5 – RESERVE FUND**

Florida condominium regulations require that the proposed annual budget include reserve funds for deferred maintenance and replacement. Funding of the reserves may be waived by a proper vote of the Association membership on an annual basis. The Association's budget for the years 2019 and 2018 required that \$192,100 and \$186,000, respectively, of the total annual assessments be allocated to such reserves. It is the Board's policy to fund reserves and to accumulate interest earned on such funds as a separate component of the Reserve Fund. Accumulated funds, which aggregate \$669,142, are presented on the accompanying balance sheet as contract liabilities (assessments received in advance – reserve fund) at December 31, 2019, are held in separate accounts and are generally not available for operating purposes.

During 2017, the Association engaged an independent consultant who conducted a study to estimate the remaining useful lives and the replacement costs of the various reserve components. Funds are being accumulated in the Reserve Fund based on estimates of future needs for repairs and replacements of common property components. The estimated replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. If additional funds are needed for deferred maintenance or replacement and such accounts have not been adequately funded, the Association may increase the quarterly assessments of the unit owners, pass special assessments, or delay repairs until funds are available. The Association does not allocate interest earnings to the individual reserve components.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 6 – ANNUAL BUDGET AND OWNERS' ASSESSMENTS**

The Association's by-laws require that the Board of Directors adopt a budget each year for common operating expenses and reserves. If the operating (excluding reserves) budget determined by the Board of Directors should exceed 115% of the prior year's operating budget, the unit owners have a right to call a special meeting to vote on the budget. Assessments are made against the unit owners for their share of the budget. Such assessments are due in quarterly installments. For the period December 31, 2019, the quarterly assessment per unit type was \$1,688 and \$1,976 for two bedroom and three bedroom units, respectively.

For the period December 31, 2018, the quarterly assessment per unit type was \$1,688 and \$1,976, for two bedroom and three bedroom units, respectively.

**NOTE 7 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for:

	12/31/19	12/31/18
Interest	\$ 0	\$ 49
Income taxes	6,448	5,153

**NOTE 8 – TAX STATUS**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and State taxing agencies. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

**NOTE 9 – WIND INSURANCE DEDUCTIBLE**

For the years 2019 and 2018, the Association's wind insurance policy carried deductibles as follows: 3% or \$493,672 for hurricane only, \$25,000 for all other wind, and \$5,000 for all other perils.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 10 – CONTRACTS AND OBLIGATIONS**

On June 1, 2014, the Association entered into a contract with Comcast for the installation, maintenance and operation of a broadband communications system for the premises of the Association property. The agreement was for a term of 5 years and was automatically renewed for the successive year.

**NOTE 11 – INSURANCE PROCEEDS AND EXPENSES**

In early 2018, the Association sustained flooding of stack 4 and 5 on the west side which was caused by failure of an ice maker and hot water heater. As of December 31, 2018, the Association received \$63,421 in insurance proceeds and incurred \$63,421 in related expenses. The Association does not expect to receive additional insurance proceeds or incur additional expenses.

On May 28, 2018, the Association was impacted by Storm Alberto causing water damage to the east side elevators. As of December 31, 2018, the Association received \$50,000 in insurance proceeds and incurred \$15,593 in related expenses. The Association does not expect to receive additional insurance proceeds or incur additional 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, 2019, the Association received \$784,029 insurance proceeds and incurred \$94,287 in related expenses. Of these amounts, \$784,029 and \$79,687 were recognized as insurance proceeds and related hurricane expenses during 2019, respectively. On June 6, 2020, the Association received additional insurance proceeds of \$9,589. The Association does not expect to receive additional insurance proceeds but does expect to incur additional expenses related to its claims after year end, however, as of August 4, 2020 those amounts cannot be determined.

**NOTE 12 – SPECIAL ASSESSMENT**

In September of 2019, the Board of Directors approved a special assessment of \$479,810 to cover the insurance deductible related to Hurricane Michael damages for all units. The total assessment of \$479,810 was billed across three months on October 1, 2019, November 1, 2019, and December 1, 2019 and the full amount was due by December 10, 2019. The Association did not incur any expenses related to the special assessment in 2019.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 13 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Associations (CIRA), Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities (assessments received in advance – reserve fund), as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to Reserve Fund Balance as of January 1, 2019:

Reserve Fund Balance, as previously reported at January 1, 2019	\$ 551,068
Adjustment	<u>(551,068)</u>
Reserve Fund Balance, as adjusted, at January 1, 2019	<u>\$ 0</u>

The effect of the adoption is a decrease in 2019 assessments by \$118,074 and a recording of contract liabilities (assessments received in advance – reserve fund) at December 31, 2019 of \$669,142. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 13 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**  
(Continued)

<u>Reserve Fund:</u>	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Long-term Liabilities:</u>			
Contract liabilities (assessments received in advance – reserve fund)	\$ 0	\$ 669,142	\$ 669,142
Total liabilities	\$ 0	\$ 669,142	\$ 669,142
<u>Fund Balance:</u>			
Reserve fund balance	\$ 669,142	\$ (669,142)	\$ 0

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

<u>Reserve Fund:</u>	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Revenues:</u>			
Reserve assessments	\$ 192,100	\$ (118,074)	\$ 74,026
Excess (deficiency) of revenues over (under) expenses	114,267	(118,074)	(3,807)
<u>Cash Flows:</u>			
Excess (deficiency) of revenues over (under) expenses	\$ 114,267	\$ (118,074)	\$ (3,807)
Increase in contract liabilities (assessments received in advance – reserve fund)	0	118,074	118,074

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (UNAUDITED) AND 2018 (AUDITED)**

**NOTE 14 – SUBSEQUENT EVENTS**

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The extent of the impact of the COVID-19 on the Association’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions, all of which are highly uncertain and cannot be predicted. As of the date these financial statements were issued, the extent to which COVID-19 may impact the Association’s financial condition or results of operations cannot be reasonably estimated.

The Association has evaluated subsequent events requiring disclosure or recording in these financial statements through August 4, 2020, the date which the financial statements were available to be issued.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**OPERATING FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Actual	Budget (Unaudited)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>			
Assessments - operating	\$ 407,324	\$ 407,366	\$ (42)
Beach service	16,500	16,500	0
BP oil spill settlement proceeds	3,807		3,807
Interest	383		383
Insurance proceeds (net of related expenses of \$79,687)	704,342		704,342
Late fee interest	1,975	500	1,475
Miscellaneous income	4,727	500	4,227
Total revenues	1,139,058	424,866	714,192
<b>Expenses:</b>			
Accounting	10,413	10,350	(63)
Building maintenance	20,351	21,450	1,099
Cable - TV and internet	64,340	62,500	(1,840)
Elevator	21,209	25,270	4,061
Grounds maintenance	1,675	1,100	(575)
Income tax expense	4,171		(4,171)
Insurance	75,303	70,134	(5,169)
Legal fees	3,999	2,500	(1,499)
Licenses and fees	2,312	2,750	438
Maintenance mileage		400	400
Maintenance staff	84,043	84,000	(43)
Maintenance supplies	5,526	6,500	974
Management fee	39,348	26,000	(13,348)
Miscellaneous	3,926	172	(3,754)
Office supplies and postage	4,241	540	(3,701)
Pest control	6,637	5,800	(837)
Pool maintenance	13,517	12,500	(1,017)
Security	4,307	5,000	693
Telephone	6,961	6,000	(961)
Utilities	83,911	81,600	(2,311)
Website	555	300	(255)
Total expenses	456,745	424,866	(31,879)
<b>Excess of Revenues Over Expenses</b>	<b>\$ 682,313</b>	<b>\$ 0</b>	<b>\$ 682,313</b>

See independent accountant's compilation report.



**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**SCHEDULE OF CHANGES IN CONTRACT LIABILITIES - POOLED**  
**RESERVE FUND**  
**YEAR ENDED DECEMBER 31, 2019**

Components	Beginning Balance 1/1/2019*	Transfer from Operating Fund	Additions	Expenditures	Interest Earned	Reserve Fund Contract Liabilities Balance 12/31/2019
Clubhouse roof						
Common area			\$	5,589		
Concrete				5,530		
Elevator - cable				60,341		
Elevator - hydraulic						
Handrails, walkway						
Mansards						
Mechanical				8,912		
Paint						
Pool, hot tub, sauna				2,075		
Roof				2,500		
Other						
Interest					\$ 7,114	
Totals	\$ 551,068	\$ 3,807	\$ 192,100	\$ 84,947	\$ 7,114	\$ 669,142

\*Adopted ASU 2014-09, see Note 13

See independent accountant's compilation report.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

The Board of Directors annually reviews the major components of common property. As a part of this review, the Association engaged an independent consultant who conducted a study during 2017 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the Reserve Fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. The estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following table is based on the study and presents significant information about the components of common property.

Components**	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Reserve Fund Contract Liabilities Balance at 12/31/19	Amount Required for Full Funding for 2020
Clubhouse roof	0	\$ 0		
Common area	0-22	124,600		
Concrete	0-30+	806,700		
Elevator - cable	17	272,000		
Elevator - hydraulic	5-19	442,000		
Handrails, walkway	0-23	449,925		
Mansards	0	13,750		
Mechanical	0-14	225,500		
Paint	0-8	375,123		
Pool, hot tub, sauna	0-3	24,688		
Roof	0-3	482,375		
Deferred maintenance	0-30+	1,324,625		
Interest	N/A	N/A		
		<u>\$ 4,541,286</u>	<u>\$ 669,142</u>	<u>\$ 186,000</u>

\*\*Based on reserve study component categories

See independent accountant's compilation report.